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MARCH, 1956

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MARCH, 1956

The Management Review

A Partial List of Contents

Management Know-How: America's Invisible Export

If the United States is indebted to Europe for the many benefits of the Industrial Revolution, the debt is now being repaid by the American exportation of our scientific management methods.

Western Europe's recent advances toward prosperity—total output of its factories is now 70 per cent above prewar levels—are due less to the introduction of modern machinery than to the adoption of such basic American management techniques as budget control, cost accounting, inventory controls, marketing research, etc.

This development has brought about revolutionary changes in European business thinking. Europeans, like Americans, are now defining economic progress in terms of decreasing unit costs by means of constantly increasing productivity. Firms are shifting from the production of high-quality products, for a static and limited market, to the mass production of standardized products for a rapidly expanding market. This shift, facilitated by the development of a new class of middle-income customers, is responsible for the growth in Europe of mass distribution systems similar to those of American companies.

Experts from the U.S. have joined with European government officials and private commercial representatives in spreading American management concepts among European business men. Nothing shows more clearly the influence of American methods in Europe than the growing popularity of productivity boards, business seminars, and management discussion panels.

Under the Technical Assistance Program, nearly 15,000 European industrialists, business men, technical experts, plant managers, and trade union officials have visited the United States to study American business methods. Several hundred American experts have gone abroad to transmit their technical know-how to European industry. As a result, European business men are learning that high productivity is not due solely to improved production methods, but is largely the result of efficient coordination of equipment, labor, and management within a business enterprise producing for a mass market.

Invited by the French Government to look into chaotic conditions in the French clothing industry, an American consultant went to work on the problems of France's largest garment maker. After his market survey disclosed weaknesses in supply and sales organization, he reduced the number of price lines from 100 to 4 and eliminated 50 of the concern's 70 suppliers. Costs were slashed. The result: The firm's prices dropped 15 per cent; sales volume increased 40 per cent; and productivity rose 30 per cent.

Another very important American

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contribution to European business has been our approach to labor relations. The European business man tends to regard economic progress largely in material terms. Labor-management relations, therefore, represent one of the toughest problems faced by American management experts in Europe. American business experts abroad have been trying to convince European industrialists that workers should be considered as partners rather than as tools of production. European labor must also be assured that productivity increases will result in higher earnings for employees as well as for management. This new personnel policy has opened new and freer channels of communication between management and labor. In addition, incentive wage systems have been adopted to increase the worker's financial interest in higher productivity.

The fundamental reason why Europe is seeking to adapt American management methods is that such methods are the only means of keeping industrial output in step with its rapidly growing population, and at the same time competing successfully in the world market. Western Europe's future prosperity depends on her ability to carry out successfully the technological and managerial revolution which the influence of American methods has brought about.

—Egon Kaskeline. *Challenge*, January, 1956, p. 59:4.

Executive's Choice: Slow Down or Blow Up

Since Theodore Roosevelt urged Americans to "work hard and play hard," the pace of U.S. business life has accelerated so furiously that most executives find it difficult to slow down under any circumstances. U.S. business men not only work harder than those of any other nation; medical records suggest that they also die oftener and younger from physical disorders caused by the trip-hammer pressures of competition. More than half the business men who come in for checkups at Boston's famed Lahey Clinic are so keyed up that they must be warned to slow down or face heart disease, ulcers, colitis, and high blood pressure. Of 1,000 executives examined at Detroit's Henry Ford Hospital in a two-year period, 30 per cent were found to have "abnormal physical conditions," serious enough to affect their working efficiency and endanger their health.

Most U.S. executives, particularly since President Eisenhower's heart attack, have been uneasily aware of the mental and physical effects of overstrain. However, when they think of relaxation, the majority think in terms of strenuous, competitive recreation, such as golf. But the trouble with such sports is that business men tend to overexert and fret over their performance. And in recent years the golf course has become a kind of office with trees, where business men are as intent on arranging ways of raising their incomes as on lowering their scores. Says a California lumber-firm

executive and onetime athlete: "The great appeal of sports like golf, tennis, and skeetshooting is that you can mark down your score on a card and have something to show for your time. But if you feel that way, you don't know too much about relaxation." The best-relaxed men turn to non-competitive activities—fishing, swimming, horseback riding, bird-watching.

For many executives, however, the problem of relaxation is less a matter of physical exertion than the art of switching mental energy from office problems to equally absorbing outside diversions. More and more business men are finding painting an outlet for nervous energy. Eight Manhattan executives play in their own dance band. Across the U.S., business men's pastimes range from astronomy to zither playing, but they serve their purpose only when they consistently keep the mind away from money-making.

Business men are realizing also that relaxation cannot be limited to week ends and vacations, but must also extend to conscious conserving of energy on the job itself. Some executives get away from work during working hours by lunching alone, taking brief strolls, reading a chapter of a book.

The fact is, however, that U.S. business men who know how to relax, and are wise enough to do it in time, are in the minority. The problem of physical and mental erosion in the top executive levels of business has grown so serious that more and more U.S. companies have begun to subject executives to rigorous annual or semi-annual checkups and let them take vacations every quarter instead of once a year. In the obituary columns, the insurance-company graphs, and in the companies' own performances, the results show: The most valuable and most successful men in U.S. business are the ones who have taught themselves to slow down before they blow up.

—*Time*, January 23, 1956, p. 84:2.

What Makes a Perfect Secretary?

OF ALL A SECRETARY'S qualities, her boss probably sets the highest value on her initiative, according to a recent nation-wide survey of executives conducted by Underwood Corp.

Initiative was rated first by 46 per cent of those surveyed. They felt that secretaries today increasingly tend to be executive assistants. Ability to type quickly and accurately was next highest in importance, the survey revealed, followed by ability to file and find information speedily, a winning telephone manner, punctuality, and personal neatness.

Single women were preferred as secretaries by 24 per cent of the respondents; married by 20 per cent. (The rest expressed no choice.) Secretaries between 20 and 40 years of age were preferred by 48 per cent of those polled.

High turnover among secretaries was the foremost complaint. Other secretarial "sins" mentioned were too many coffee breaks, personal telephone calls, and spreading office gossip.

—*Industrial Relations News* (230 West 41 Street, New York 36, N.Y.) 2/4/56

The Coming Challenge to Marketing

FOR AMERICAN business the next 10 years will be as dramatic, as filled with change and impact as any 50 years in the entire development of civilized man.

Recently the Research Institute of America conducted a survey of 1,500 key businesses in the U.S. to determine their attitude, their plans, and their outlook for the five years ahead. Eighty per cent of the group expect the same gross sales for the next five years. Less than 1 per cent believe that there is any possibility of anything resembling a business crash; only 13 per cent see the possibility of even a serious recession. And 41 per cent see no trouble of any kind within this period.

Our rate of growth in 1955 was two to three times as great as that in any previous good, expanding business year. American consumers went $35 billion into debt to purchase merchandise, but added almost as much to liquid savings. In 1955, 65 million people were employed—3 million more than the year before. The average factory wage was $79.50—an increase of almost 10 per cent in earnings. Personal income was a record $230 billion.

Let's look at the next 10 years. Ten years from now our population will be larger by 24 million people—that's the new market, or additional market. There will be a five-hour decrease in the work week with a fabulous increase in leisure time. Personal income will be up 30 per cent. Product output will increase 50 per cent.

This is a measure of the sales challenge. The market will be there with its money, the institutions with their products, the consumer with his desires. And they must be brought together.

Each year we shall add 4 per cent to our productivity. In 1956, the things we sell must make 2.7 million additional jobs if we are to end the year exactly where we started—no further ahead, no records broken as in 1955. This gives you some measure of the challenge for 1956 alone.

These 10 years will see a revolution in distribution as dramatic and as disturbing as the changes produced by the Industrial Revolution. And the method of selling, the incentive to spur the mechanism, even the purpose, will also undergo dramatic change.

These 10 years will assure the highest level of prosperity the American people have ever dreamed of. But they will offer no comfort for the small merchant or the cash-hungry, independent manufacturer—for the comfortable whatever their size or kind. They will see the wildest competitive scramble, in which the edge will be given to bigness in business, in government, and in unions. The world we are entering is based on the most incredible investment ever made by man in scientific research. But research is a big company's tool, and the smaller enterprise—the independent—may find itself on the side-

lines as business multiplies, and mergers, diversification, and decentralization move the giant into every corner of enterprise in America.

We are at the frontier of a new age of personal health and medicine. We shall find ourselves deep in the paradox that as the effective age of man is lengthened and his wisdom increased, the retirement age gets lower and lower. It may be in this reservoir that selling in America will yet find its ultimate answer for effective manpower.

Above all, perhaps the greatest challenge facing us will be leisure. Society, for the first time, will devote the greatest part of its working day not to making money but to spending time. A mad rush to spend time creatively, effectively, will dominate every significant portion of the activities of almost all of American business.

One of the problems of selling will be to overcome the drive for sameness. Ten years from now there will be no significant distinction among brands: all products will be good. What will sell them? Not the product but the salesman with his training, his professional skills, his proper know-how, his merchandising capacity, and his interest in his customer.

This means that American business will finally have to come to grips with the No. 1 problem: What motivates a salesman?

We shall, within these 10 years, have every conceivable component needed to rise to the highest heights civilized man has ever dreamed of. We shall have all the makings, all the parts and pieces—but they must be hammered together with the nail of effective, modern, developed, motivated selling.

—From an address by LEO CHERNE (Executive Director, Research Institute of America) before the Sales Executives Club of New York.

Have You Looked into Industrial TV?

AFTER eight quiet years, television for in-plant use has come of age.

Small, industry-owned TV cameras already are peering into heat-treat furnaces, studying freight yards, and guarding plant fences.

In the mines, TV cameras help control strip mining activities; the superintendent watches monitor screens that tell him what his excavating equipment is doing. Where a human can't go safely, conveniently, or quickly, a television camera usually can.

A year ago, the industry was installing 10 to 15 camera-monitor units a month. At present, a conservative 40 units are being installed monthly. By mid-first quarter of 1956, it's figured the industry total will be 120 per month.

This year brought a spurt of new cameras aimed at solving a long-standing problem. Dim light in a plant or yard occasionally makes necessary lighting installations costing more than the television equipment. An over-all light level of 50 to 100 foot-candles is recommended, though

cameras already in use handle light values as low as 6 foot-candles.

New models have greater ability to produce a bright image at a low light level. Prices range from $1,000-$5,000, with cameras selling for as little as $995. Average cost per camera-monitor installation is about $2,000.

To this must be added cost of lighting equipment if required. And cameras may be air-cooled, water-cooled, equipped with remote controlled lenses, with several lenses in a turret, remote controls to change the camera's angle of view and lens focus; even housings which are explosion-proof, or which resist corrosive atmospheres. A color camera has been available for as little as $11,000. Customers who have already purchased industrial TV are now showing more interest in heavier equipment.

Meantime, how is it being used? U.S. Steel employs a TV camera at its Gary works sheet mill to check surface quality of the rolling mill product. At Consolidated Edison in New York City, the camera studies smoke issuing from powerhouse stacks. Argonne Laboratories uses it to watch handling of "hot" radioactive materials, a use that will grow in industry as use of isotopes increases.

A number of plants and banks transmit images of documents over closed TV circuits. Others check incoming or outgoing freight car numbers as cars enter the switchyard. Inaccessible gauges or furnace burner nozzles are a natural for observation via TV. So is a workpiece in a dangerous gas atmosphere.

Even at this early stage, industrial TV has developed a healthy sister industry. People call it "hotel" or "closed circuit" TV (though in-plant television is also a closed circuit). The TV screen delivering a lecture to several hundred viewers in a hotel ballroom, from speakers seated in a small committee room, is an example. A committee session can be televised from the committee room to an auditorium in the same hotel for as little as $150 a day.

—K. W. BENNETT. *The Iron Age*, November 3, 1955, p. 55:3.

How Paperwork Costs Add Up

EVERY YEAR the nation's office workers are grinding out more than 175 billion pieces of paper. Annually, 62 million file drawers are crammed with multi-copies of papers, adding 15 per cent to the records of past years. It takes the time and salaries of nearly 2 million clerks to handle records already on file. The hoard of papers equals 1¼ trillion pieces in many locations, from expensive office space to cellars and abandoned buildings. It costs a company $6,200 in materials and more particularly in paperwork to create, handle, and file the contents of a single four-drawer filing cabinet.

—WILBERT E. SCHEER in *Management Methods* 12/55

THE DICTIONARY is the only place where success comes before work.

—ELMER G. LETERMAN

The Dilemma of the Functional Manager

THE MAJORITY of managers in any business enterprise are concerned with specialized work. Even so, the number of functional managers should always be kept to a minimum. There should be the largest possible number of "general" managers who manage an integrated business and are directly responsible for its performance and results. But even with the utmost application of this principle the great bulk of managers will remain in functional jobs. This is particularly true of young people. As a rule, therefore, a man's habits as a manager —his vision and his values—will be formed while he does functional and specialized work.

In such work it is essential that he develop high standards of workmanship. Work without high standards is dishonest. It corrupts the man himself; it corrupts those under him. An emphasis on workmanship produces innovations and advances in every area of management. Managers should be encouraged to practice professional personnel management, to run the most up-to-date plant, to do truly scientific market research, to put in the most modern accounting system, and to do perfect engineering work.

But this striving for professional workmanship in functional and specialized work is also a danger. It tends to direct a man's vision and efforts away from the goals of the business. He tends to appraise his subordinates by their craftsmanship, and to reward and promote them accordingly. He resents demands made on him for the sake of business performance as interference with "good engineering," "smooth production," or "hard-hitting selling."

This danger will be greatly intensified by the technological changes now under way. The number of highly educated specialists working in the business enterprise is bound to increase tremendously—and so will the level of workmanship demanded of these specialists. The tendency to make the craft or function an end in itself will therefore be even more marked than it is today. But at the same time, the new technology will demand much closer cooperation between specialists. It will demand that functional managers, even at the lowest management level, see the business as a whole and understand what it requires of them. The new technology will need both the drive for excellence in workmanship and consistent direction of all managers toward a common goal.

The hierarchical structure of management also aggravates the danger. What the "boss" does and says tends to appear to his subordinates as calculated, planned, and meaningful. For example, an executive who genuinely considers human relations to be the most important task of his plant managers may in his contacts with them talk only about operational details—the burden figure, the accounting department forms—because he feels that he has to establish himself with his men as a "practical man," or because he thinks he shows familiarity

with their problems by talking shop. But to his subordinates these reasons are hidden; all they see and hear is the question about the burden figure, the emphasis on forms.

The solution of this problem requires a type of management structure which focuses the attention of both the manager and his boss on what the job —rather than the boss—demands. To stress behavior and attitudes—as does a good deal of management literature —cannot solve the problem. It is likely to aggravate it by making managers self-conscious in their relationships with their men. Indeed, everyone familiar with business today has seen situations in which a manager's attempt to avoid misdirection through changing his behavior has converted a fairly satisfactory relationship into a nightmare of embarrassment and misunderstanding. And the men in turn react with: "So help us, the old man has read a book. We used to know what he wanted of us, now we have to guess."

An effective management must direct the vision and efforts of all managers toward a common goal. It must be sure that the individual manager understands what results are expected of him. It must be sure that the superior understands what to expect of each of his subordinate managers. It must motivate each manager to maximum efforts in the right direction. And while encouraging high standards of workmanship, it must make them the means to the end of business performance rather than the ends in themselves.

—PETER F. DRUCKER. *Office Equipment & Methods*, September, 1955, p. 15:3.

Correcting Weak Spots in Your Pay Policy

IN A GREAT MANY companies, the pay structure has "just grown." Today, with labor at a new high, it's doubly important to see if correction is needed.

Here are some questions companies have found useful:

Too much pay too early? A quick way to test this is to consider how many employees can look forward to more pay after one year on the job; after two years; and after three years. Bringing people to the top limit within a short time invites loss of interest, high absenteeism, and fast turnover. Consider the following alternatives:

Drop starting rates. Some companies consistently set entrance rates low so that the new employee can see a longer period of gains ahead.

Open the doors to higher pay brackets. Many companies analyze all jobs to see what abilities they require; make it possible to acquire needed skills; post details about openings; and publicize promotions to show that efforts to advance pay off.

Build up stakes in indirect benefits. By paying a little less than prevailing wages, some companies are able to add extras attractive enough to hold on to people who would not otherwise be satisfied.

Have raises blurred job differences? To provide room for pay increases, more and more firms have turned from fixed job rates to rate or salary ranges. But many find they are paying more for certain jobs than they intended.

If a company has several rates for each job classification, it may pay to check the extent to which each rate is used. Personnel executives generally agree that only outstanding workers should be in the top 10 per cent of the range.

Is the timing of increases off? A number of companies are seriously concerned over employees' lack of appreciation for pay boosts, but those who have checked their own practices say the responsibility can often be laid to management. Small increases delayed too long may give the impression that there will be nothing more for a long time. Some possible corrective steps:

Permit some exceptions to scheduled review dates.

Give a bigger pay boost after a longer interval.

Move away from union patterns; separate increases given non-union groups from those resulting from bargained settlements.

Merit increases—across the board? How many employees realize their performance has to reach a definite level to deserve an increase? To establish closer ties between pay and performance, it may help to tighten control of in-grade progression, and to overhaul the merit-rating program.

Are pay boosts actually deserved? Last-ditch offers to those about to leave, lopsided distribution to departments, and increases granted for personal reasons are common weaknesses.

These steps help make sure that pay increases reflect job performance: (1) Check on employees consistently passed by; (2) insist on objective tests of performance; (3) define job elements clearly.

Across-the-board bonuses? Too often the year-end bonus is just a general increase in disguise. For companies which give across-the-board wage increases, such a bonus can be a serious mistake. In many cases, management's one chance to gain flexibility in pay policy lies in bonuses tailored to specific goals like high-level performance, steady attendance, long tenure, and cooperation.

Frequent increases only to scarce skills? Many firms find that special treatment of a few hard-to-replace secretaries, engineers, etc., results in griping by other workers. Instead of trying to match the pay such individuals might command elsewhere, some employers turn to devices other than direct pay boosts—e.g., extra benefits, such as life insurance; improved working conditions; or bonuses to supplement earnings of key people.

High fringes—for low-wage workers? Is there a real need for all the extras which inflate the labor bill? Benefits which employees have little desire for may backfire because they encourage the notion that profits are too high. And the less skilled groups would usually prefer the outlay in cash.

High-paid skills—routine assignments? Unless job-to-job comparisons are carried out frequently, actual wage relationships may be unrealistic. New equipment, broadening or narrowing of sales lines, cuts or additions to staff alter demands on employees' time

so indirectly that top executives in many a firm fail to note the changes.

Unusual assignments—standard rates? Obviously, basing pay policy on comparisons with other firms can be misleading. Differentials should be in line with a company's judgment of what is important in its own activity.

In using wage information from other firms or from government sources, a few precautions will improve the reliability of the findings: Study job descriptions carefully. Make allowances for number of employees in the same category. Discount area rates. Estimate how long it has taken the present employees to become capable. Consider whether you require more creative effort, judgment, or initiative than most employers.

—*Staff Report: Personnel Relations* (Research Institute of America, Inc., 589 Fifth Avenue, New York 17, N. Y.).

How Adequate Are Jobless Benefits?

THE CHARGE that state unemployment compensation benefits are inadequate to tide workers over jobless periods appears to gain support from a study by the Bureau of Employment Security, showing that a group of unemployed workers in the Pittsburgh area didn't get enough to cover the cost of food, housing, and other living essentials.

BES emphasizes, however, that general conclusions shouldn't be drawn from the study. It is only the first of a number to be made in various states. Moreover, maximum weekly benefits in Pennsylvania have been raised from $30 to $35 since the study, while duration has been increased from a 13-26 week range to a uniform 30 weeks.

The study covered 400 representative beneficiaries; 100 were single individuals, 230 the sole wage earners in four-person families, and 70 secondary wage earners in four-person families.

These are some of the major findings:

Most of the claimants received the maximum benefit of $30.

Benefits amounted to less than half of previous regular earnings in 85 per cent of cases.

The jobless check was the sole income of three-quarters of single claimants and two-fifths of families in which the claimant was the chief wage earner.

Payments were by no means adequate to cover expenditures for living essentials. Claimants cut their expenditures by from 21 to 32 per cent. But UC benefits still met less than 60 per cent of these reduced expenditures for most single claimants, and less than 45 per cent for most families whose chief wage earner was out of work.

—*Labor Policy and Practice* (Bureau of National Affairs, Inc.) 12/8/55

Central Control of Decentralized Records

SELECTING a good records system is a little like choosing a partner—a little selectivity at the beginning saves a lot of trouble later on.

At Lever Brothers Company we have a system of records control which we consider the most effective yet devised: the central control of decentralized records. It can be defined as the establishing of one control, or central supervision, over all the records of an organization, regardless of their location.

Three paramount phases should be considered in the designing of any effective central control program: (1) developing and training a staff to execute the program; (2) developing the method for establishing the program; and (3) putting the program into actual operation.

Training a Staff. At Lever House a records chief heads the staff and is responsible for the administration of all file operations, records procedures, and control of file equipment, supplies, etc. He has an assistant assigned to special projects who also acts as a substitute in his absence. Records analysts survey, combine, revise, and install new filing systems. An archivist and an assistant maintain a records storage center. Subject record clerks maintain subject file units. Records clerks maintain file units where material is classified alphabetically by name of account or numerically by number of record. Each month this staff files approximately a quarter of a million papers and makes about 15,000 references.

Within the department, promotions are based upon ability and seniority. Records personnel entering the department are trained in fundamental file practices and are assigned to the maintenance of simple file units. Proven ability in basic file work over a period of time assures eligibility for the next step—assignment as a subject records clerk. Again, outstanding ability in time qualifies the subject records clerk for the position of records analyst. When records analysts have gained experience in setting up various file units, they are able to solve most complicated records problems.

Establishing the Program. The first step in establishing a centrally controlled records program is the preparation of a comprehensive analysis of each department's records to determine their content, departmental use, relationship to other company records, and logical file arrangement.

In making a records analysis, departmental operation must be studied and those using the files must be consulted to make certain that the recommended file installation will suit the department's over-all functions. After each department's files are surveyed, a written report showing existing conditions and action recommended is submitted to the department head concerned. If the department head agrees with the recommendations, a records analyst sets about reorganizing the files.

A record clerk assists with the reorganization and is trained in the

maintenance of the files as the installation proceeds. A relative card index is provided for uniform file classification and cross reference purposes. At the completion of the reorganization, the records analyst prepares a manual of file procedure covering the operation of the particular file to assure continued uniform maintenance.

The department's files, revised and indexed according to standard file practice, and staffed by a trained member of the general records department, now become part of the central system. As each department's files—located for easy access in the department they serve—are brought into the system, they form another decentralized link in the chain of central control.

The liaison between management and the records chief is most important in central control. It is the responsibility of the records chief to collect information and to develop and submit to management recommendations concerning standard record practices and procedures. He must also keep management informed of the company records situation and recommend new and improved methods.

Operation of the Program. In actual operation, the system establishes one authority responsible for the maintenance of essential records. It provides a plan to meet the needs and activities of each department, and assures faster file service by locating file areas adjacent to departments they service. It eliminates duplication of records by establishing files in one location supplying information for all departments. Under central control, dispersed files, once haphazardly maintained, can function with uniformity.

Decentralized files can be operated more economically under central control. Economies of time and labor are made possible by the flexibility of a record staff which can be transferred daily from file stations where the workload is light to those with peak workloads. By combining related files, and thereby eliminating duplication of records, considerable file drawer space can be saved. The systematic transfer of inactive material to records storage also conserves required file space. Finally, central control of file equipment assures economical distribution. The purchase of file supplies in quantity assures uniform purchases at a lower cost.

Expansion of company records, with resulting records retention and disposal problems, demands an over-all records control. The operation of a records storage for inactive material should be an integral part of a records program.

—From an address by DOROTHY E. KNIGHT before the Institute on Records Administration, University of Minnesota.

A CLEAN SWEEP: A new twist in plant housekeeping is being tried by the Albany Felt Co. (Albany, N.Y.). An old broom, dubbed "Henry," is presented monthly to the foreman of the department rated poorest in housekeeping. The unlucky foreman, whose picture also appears in the employee newspaper, usually reacts quickly to get rid of Henry.

—*Employee Relations Bulletin* (National Foremen's Institute, Inc.)

Getting the Right Slant on Business Trends

"COMING events cast their shadows before."

You can add a great deal of certainty to your business planning by heeding that century-old advice—perhaps even get the jump on your competition. Although a wealth of "shadow-casting" business facts is available to every company, they are not always heeded.

The search for reliable business barometers, or indicators, has been going on a long time. Experience reveals some are not prophetic; they merely reflect current happenings.

What trends to use depends on what business you are in and what decisions you are required to make. The list of sources is lengthy. Many figures are issued by agencies of the Federal or state governments. Others are available from trade and professional associations, institutes, and industrial publications.

Other external sources of data are customers, salesmen, and distributors. From customers you often can find out their buying intentions. You can conduct your own survey among them, or you can turn to consumer surveys made by others, such as the annual survey on consumer expectations published by the Federal Reserve System. The Securities and Exchange Commission and the U.S. Department of Commerce regularly poll a broad cross-section of companies to learn their plans for plant and equipment investment.

Another means of getting estimates from the outside is to ask your salesmen to estimate their sales (line by line or product by product) in their territories for the next six or 12 months. Salesmen reflect the customer's view.

In using barometers, there are some things you'll have to take into account: (1) Monthly statistics are not up to date; it's a good idea to use available weekly or daily figures. (2) Seasonal variations must be allowed for. (3) There's no guarantee that the lead or lag of a barometer always will coincide with the average.

You may find that a 10-year projection is easier to make than one for the next two years. In the 10-year forecast you can be more general, and you'll probably base the long-range estimate on a fairly well-established assumed rate of growth. The medium-term projection puts you on middle ground. You can't project it directly out of today's happenings, yet it is not long-range enough to allow you the freedom of generalities.

Short-term projections shouldn't overestimate growth factors. Unless an industry is in a period of extraordinary growth, current demand factors usually outweigh growth factors.

In accepting forecasts from others or in making them yourself, watch for over-optimism and over-pessimism. Be wary of the forecast surrounded with hedges—unless the matter really can't be pinpointed. If a forecaster says sales of electric motors next year will be the same as this year's, plus or minus 10 per cent, he's giving himself

20 percentage points of protection. With that much leeway, he isn't too confident. You probably could come closer by guessing.

Flexibility is another matter. A forecaster should stand ready to make adjustments, so your planning can be based on the best and most up-to-date estimate of the future. But a forecaster who wants to make changes all the time probably is reflecting the whims of his bosses and others.

Sometimes forecasts are their own undoing. If it is widely distributed and believed, a forecast may set contrary or confirmatory reactions into motion.

If a decline in business is predicted, companies may be spurred into remedial action. If enough companies strengthen their sales efforts, the predicted decline may not come off, or at least it may not be so severe as expected.

For these reasons, says the Committee on Economic Policy of the Chamber of Commerce of the United States, forecasts may be intelligent, shrewd, foresighted, and as nearly accurate as possible—and turn out to be wrong.

—*Steel*, July 18, 1955, p. 93:8.

The AFL-CIO Merger: Meany Looks into Labor's Future

FOR SOME YEARS now the formation of a united labor movement has gained increasing support among workers and trade-union leaders as a necessary and inevitable forward step.

To labor, the fact that the world has suddenly arrived at the threshold of the atomic age betokens a new industrial revolution of considerable magnitude.

Labor will not resist industrial progress. We welcome it. But the trade-union movement must come up with realistic solutions for the human problems that are bound to arise from the practical application of new scientific knowledge.

This is one of the long-range reasons for the merger. Labor is seeking, through unity, to create an instrumentality capable of defending the interests of American workers in the eventful years to come—an instrumentality that can succeed in assuring proper consideration of human needs along with the requirements of industry and finance.

By its very nature, the labor movement will perform its primary service to the nation and its workers in the economic field. To remain healthy the national economy must keep growing; and the American people must enjoy sufficient income and purchasing power to buy and consume the swelling output of the country's farms and factories. Labor will possess more power at the bargaining table. It will seek to exercise that power to the end that a fair share of expanding profits is put back into mass circulation through higher wages and reduced costs to the consumer.

Simultaneously, labor is determined

to bring about the organization of millions of unorganized workers and raise their income and living standards —though there will, of course, always be a sizable proportion of workers in the unorganized category—workers employed in many thousands of small establishments who do not seek collective bargaining representation because they are in a position to bargain directly and individually with their employers.

It goes without saying that unskilled or semi-skilled production workers will have fewer employment opportunities in the age of automation. A number of unions, in anticipation of this trend, have initiated training and retraining programs to acquaint their members with the latest mechanical and electronic processes. In my opinion, union-sponsored educational and apprenticeship programs of this forward-looking nature will be greatly expanded in the years to come. In order to prevent needless suffering, unions in the mass-production industries already have taken steps to secure, through collective bargaining, supplementary unemployment compensation or a guaranteed annual wage. Such insurance against the human distress caused by unemployment will also help to cushion the economic shock of the transition and avert a tailspin.

Undoubtedly, labor will revive its drive for the shorter work week. It is a part of America's economic tradition that workers share in the gains that are derived from improved methods of production. The establishment of a 30-hour week undoubtedly will serve to multiply job opportunities and keep unemployment from getting out of hand.

The AFL-CIO will be ready, willing, and able to make an important contribution to the establishment and maintenance of industrial peace.

Before that goal can be achieved, both sides at the bargaining table will have to recognize and acknowledge certain facts and considerations that they have not as yet succeeded in bringing clearly into focus. Basic among these are:

1. The interests of labor and management are interdependent, rather than inimical. The earnings of both are keyed to the continuing prosperity of a particular business and the nation as a whole. Neither can produce without the other.

2. Free labor and free enterprise can exist only under a free system of government. Their real enemy then—their common enemy—is totalitarianism.

3. The totalitarian threat of our day is communism. The free labor movement of America, therefore, is fighting communism—and fighting it effectively—both at home and in the rest of the free world. This unalterable opposition of the American labor movement to communism provides basic security for American business.

4. Certain business leaders may consider "big government" or socialism more of an immediate threat to their interests than communism. Are they allowing themselves to be deluded by their own propaganda to the effect that organized labor in this country is in favor of big government or the nationalization of industry?

Nothing could be further from the truth. The main function of American trade unions is collective bargaining. It is impossible to bargain collectively

with the Government. Unions, as well as employers, would vastly prefer to have even government regulation of labor-management relations reduced to a minimum consistent with the protection of the public welfare.

5. The vast majority of labor-management disputes can be settled amicably. They are today. The real problem is to devise a method of settling the exceptional cases before they erupt into damaging strikes and lockouts. This, in my opinion, can be done with a high degree of effectiveness, provided that a live-and-let-live agreement can be reached at a national level by the top labor and business organizations.

The AFL-CIO plans to intensify its political-education activities. There is little likelihood in the foreseeable future, however, that the AFL-CIO will seriously consider the formation of a Labor party.

The united labor movement will not change political direction but will seek to evoke greater political consciousness and effectiveness among American workers.

Labor's greatest asset is the respect and good will of the American people. We hope to earn and keep that good will. We hope to prove by our actions that free labor is a force for good in the life of our nation and the world.

—GEORGE MEANY. *The New York Times Magazine*, December 4, 1955, p. 11:5.

Work Attitudes of Women—Some Hints for the Boss

WOMEN have different attitudes toward their work than do men, and consequently look for different characteristics and behavior in their supervisors, according to a recent study reported in *Personnel Journal.*

Here are some of the detailed findings of the study, which was conducted by Howard M. Vollmer and Jack A. Kinney of the Department of the Army among several thousand civilian Army employees:

1. Women tended to be less interested than men in the work itself. They seemed to place more emphasis on "human relations" in supervision, as contrasted with the "work" orientation of most men.

2. While almost 53 per cent of the men preferred to have supervisors consult them in making important work decisions, nearly 60 per cent of the women indicated that they did not.

3. Both men and women employees generally preferred supervisors to maintain their closest friendships with their employees rather than with fellow supervisors, though women voiced this preference only half as frequently as did men.

4. Most women described a friendly supervisory attitude in terms of pleasant greetings and conversation, and a display of interest toward them and their family problems. But most women did not desire close friendship with their supervisors, and preferred to maintain a slight social distinction between themselves and their supervisors.

5. Male workers were almost evenly divided in wanting supervisors to have "certain technical abilities" and "certain human relations abilities"; but nearly two-thirds of the women favored the supervisor displaying human relations skill—specifically, impartiality, respect, and courtesy.

The External Sales Publication: A Valuable Selling Tool

SINCE the days of the old-style table-thumping, fire-breathing sales manager, restraint and a new dignity have come to sales. The company external sales publication, too, has changed with the times. Today the external is still designed primarily to sell the product, but the method has changed. This is the era of the "soft sell," and the veterans think it is here to stay.

Today we have many types of externals: the clear and unmistakable sales publication for the sales staff; the low-pressure external that uses the testimonial approach to appeal to its readers; the institutional dealer and distributor type; the syndicated magazine widely used by the automotive companies for distribution by dealers and carrying the dealer's imprint; the pure stockholder external and the institutional external magazine (found principally in the oil industry) which seeks to inform people and to win friends in many external fields.

Physically, today's external publication is an attractive journal. In planning, too, there is obvious improvement. Editors themselves suggest that their externals have been helped because of management's own new interest in the magazines.

With the change in front-office attitude, the external has changed its pace. No longer does the better external endeavor to cram company products down the reader's throat in every paragraph of every story. Rather, the leaders in the field seem to have set a course along their company policy lines and adapted their stories to fit.

In its simplest, basic form, the external is a direct selling aid. Yet the old-time "pep" sheet has begun to fade away. The modern sales external is the workhorse of sales and advertising, and results are expected of it.

Most external editors agree that the trend toward better external publications has been helped along by competition. No matter where the editors of external publications turn, they must compete for reader attention. They compete photographically with such magazines as *Life* and *Look*, and technically with the top business papers in their fields. In attractiveness, good writing, and interesting subject matter, they are competing with the best on the newsstands from which the reader selects — and for which he pays.

The trademarks of a good external editor are perhaps not as well recognized as they might be. But if the advice of the veterans counts, you might want to pass along this counsel to the fledgling external editor:

1. The external publication, since it is a spokesman for your company and for your industry, should reflect management thinking, policy, and dignity. Most of the time the editor's personal thinking should mesh with the thinking of his management.
2. Planning is of the utmost im-

portance. Where is the industry headed? What are its goals? What is its future? The publication should be planned in such a way that it will best promote and best serve these long-range projections.

3. The external editor needs the closest cooperation. He must work closely with sales, public relations, advertising, and research and development people. Many articles will be recommended to the editor from these groups.
4. The external editor should watch the other externals. What are the other externals doing that he could do in his own field?
5. Finally, the external publication cannot afford to be solely a reporter of what happened yesterday; it must be as current as today, and should reflect a concern with tomorrow.

In the past decade or so, the voice of the external has become modulated, and it has the timbre of dignity. But don't let the new approach fool you—it sells a lot of merchandise.

—Robert Newcomb and Marg Sammons. *Industrial Marketing*, November, 1955, p. 50:3.

Preparing for the Office of Tomorrow

Have you ever stopped to think where our offices would be today *without* modern streamlined systems and machines? We can't get enough qualified employees today in the face of all the technical advancements since the beginning of the machine age.

Consider the example of the mimeograph machine. It takes a typist about 30 minutes to type and proof a full page 8½"x11" sheet. The same typist can cut a stencil for the same page in about 45 minutes; we can then put this stencil on the mimeograph and proceed to run 5,000 copies in an hour. Without this duplicating machine, and typing one original and four carbons each time, we would have to go through the same routine 1,000 times to prepare the same number of copies. Instead of one hour and 45 minutes, the task would take 500 hours—the equivalent of 62½ girls working eight full hours.

Where would we ever find enough typists if we did not have duplicating machines today? And if we did find them, where would we put them?

Despite all the technological advances made in machines, systems, methods, training and education of people, our total workforce is now 236 per cent of what it was in 1900.

Since 1940 alone, we have increased our total workforce by 17,213,000 people, or 36.22 per cent. Meanwhile, the clerical and kindred workforce has increased by 96.63 per cent since 1940. In the past 15 years, that is, the clerical workforce has increased three times as much as the over-all workforce; yet our offices today are undermanned.

If this trend is to continue—and

we have every reason to expect that it will—how can we ever hope to operate our offices of the future without more automation? The demands of business are so great that we had better hope that inventive minds are working 24 hours a day to relieve our growing manpower problems.

As automation grows, it will mean that the office manager of the future will have to be a better manager and more of an administrator. The offices he will manage will contain more skilled people and technical machines that require a greater understanding and executive ability to coordinate into a smooth-running operation.

There will be a tremendous demand for highly skilled employees to operate these new machines as well as to build them. Our schools face a tremendous challenge with this change in office operation. We can no longer train tomorrow's workers for today's jobs. In a world of automation, people with narrow training will be at an extreme handicap. Schooling must be well rounded, so that the student can be readily developed for the specialized jobs of tomorrow. Inadequately prepared potential employees could contribute to future unemployment.

Tomorrow's office manager must constantly be developing people with executive ability so they will be ready to carry on in years to come. He must forever be looking ahead, building for the future, so that enough qualified employees are on hand to direct these new phases and advancements of business techniques.

We shall need a greater number of supervisors and department heads with skills that were not heretofore required. The office manager himself must be more highly trained if he is to direct and manage a growing number of these specialized employees.

The office environment will change along with the operational changes. Office management will of necessity be forced to improve working conditions, conserve space, and get more out of every dollar spent and every hour worked. Greater advances in color, lighting, air conditioning, heating, noise factors, music, equipment such as desks, chairs, files, flooring, are all on the drawing boards of the future.

As automation continues to grow, the office manager will have the problem of training and retraining personnel. People who are displaced in one department will be shifted to others, and must be trained in new skills. For example, the accounting employees who may be displaced are not going to disappear from the office, but they must be retrained to a new streamlined office of technical machines.

Another problem of the office will be the investment of large sums of money in new and modern machines and equipment. These machines will be expensive, both through rentals and purchases. Mistakes in judgment will be costly; therefore, more skill will be required in the selection of the most efficient machine for a particular operation. More study and planning of systems and methods will demand a greater degree of management skills than ever before.

Moreover, the office will be especially vulnerable to rises and falls in business cycles. If business were slow you could possibly lay off a few employees, but no one will lay off an electronic computer, for a few

months, in a slack period. Once you have jumped across this "chasm" you are at a point of no return.

As we push forward in this world of automation we must more and more look upon office management as *business administration.* In a sense, the office manager becomes the management consultant on the company's administrative problems. As such, he will be working on techniques that will affect a broad area of company operations.

In a word, the office manager must raise his sights. He must be familiar with the newest administrative techniques, prepared to supply this information to top management, and ready to "sell" these ideas aggressively to his management.

—From an address by ALFRED H. DORSTEWITZ at the College of Business Administration, Marquette University.

What It Costs to Land an Order

NEWEST DATA on the costs of industrial selling come from a survey conducted by the Sales Executives Club of New York among 228 companies supplying the industrial market.

Average cost per call by salesmen is reported as $17.24. About 26 per cent of the companies spend up to $9 per call; 31.7 per cent spend more than $20, and 42.1 per cent (the largest single grouping) estimated their costs from $10 to $20.

Cold calls harvest the lowest number of orders per hundred—9.2. Thus, the average cost per cold-call order is $187.39.

Orders per hundred resulting from an inquiry follow-up after publication advertising jump to 16.

After prospects have studied their companies' catalogues, salesmen up their orders to an average of 38.4 per hundred calls, and the average cost per order drops to a low of $44.89.

The final question—"In the event of more settled conditions resulting in a letdown in defense spending, what would be the effect on your business?"—elicited a sobering response. About 20 per cent of the companies didn't know; nearly 23 per cent thought they would experience no difference; 11 per cent expected to benefit; and 46 per cent expected an adverse reaction.

—*Dun's Review and Modern Industry* 12/55

Pension Plans on the Upswing

ABOUT ONE-THIRD of the nation's workforce is covered by some form of pension plan, the Institute of Life Insurance reports.

It is estimated that some 22 million persons are enrolled in pension plans, almost one-fifth of them in plans insured by life insurance companies.

Private pension plans of all types account for 60 per cent of the total; state, county, municipal, or federal civil service plans for 20 per cent; and railroad retirement plans and profit-sharing plans, with some retirement feature, for the remainder.

The New Profession of Risk Management

AN ENLIGHTENED approach to the risk management function in business today conceives the risk manager as an executive who protects the assets of a business by analyzing the perils that might destroy them and determining how to deal with these perils, according to four principal methods: (1) He may assume the risk; (2) he may self-insure; (3) he may transfer it to a commercial insurance carrier; or (4) he may direct effort at loss prevention.

If the risk manager is to perform these broad duties, he must be supported by a strong department. An ideal risk or insurance department is developed around four functional areas:

1. *Statistical and administrative.* Every department must perform certain administrative functions. Records must be kept of departmental operations and reports of these operations prepared for top management. The accuracy of premium charges must be ascertained, and a check on policy expirations must be maintained. In addition, liaison with other departments must be established in order to obtain information regarding new construction, the concentration of values in new locations, and similar matters.

2. *Engineering.* A risk department should also contain an engineering division, among whose duties are the appraisal of property values, the supervision of industrial safety and loss prevention programs, and the supervision of construction programs.

3. *Actuarial.* The need for an actuarial division becomes evident when the decisions facing a risk manager are considered. An intelligent decision between alternative methods of meeting risk is dependent on actuarial determination of the probability of loss. If a self-insurance program is adopted, accretions to the reserve fund must be computed on an actuarial basis. Although only the largest insurance departments can afford actuaries as employees, the ideal department must have actuarial services available.

4. *Insurance.* The functions of an insurance division are so widely recognized that many individuals believe them to be the only functions of a risk department. Included are the creation and placement of tailor-made contracts, and the purchasing of suitable standard contracts.

The ideal risk department, containing these functional divisions, must be organized on a line basis into a fully integrated department. Actual organization will vary according to the company's needs; frequently a fire department, a casualty department, and a life department should be included.

When the function of a risk manager to protect the assets of the firm is recognized, the ideal location of a risk department within a firm's organization structure becomes obvious. It must be placed under the supervision of the officer directly interested in and responsible for the firm's assets—the financial vice president.

Special knowledge and abilities are

required of a risk manager. He must possess legal knowledge, engineering ability, familiarity with accounting practices and procedures, an understanding of economic principles, a comprehensive knowledge of insurance, and finally a broad educational background. The risk manager who possesses these qualifications has achieved significant progress in establishing professional status. What is needed is a general level of proficiency among risk managers sufficient to justify such recognition.

—H. WAYNE SNIDER. *The Weekly Underwriter*, December 31, 1955, p. 1519:4.

Recruiting College Graduates: Business Plans for '56

INDUSTRY'S WIDELY PUBLICIZED shortage of engineers and technically trained personnel continues, as in recent years, to loom large in most business plans for recruiting employees at the college level. Another, more unexpected, development in industry's personnel needs is a significant increase in the demand for non-technical employees—the first increase in the last several years. In both areas, business expects that starting salary levels for graduates will be slightly higher than those of last year.

These are some of the important findings of a nation-wide survey of personnel policies and practices conducted last November by Frank S. Endicott, Director of Placement at Northwestern University (Evanston, Ill.). The survey covered 168 representative companies that actively seek college graduates by sending representatives to various campuses and maintaining close contacts with placement directors.

Industry's need for engineers and scientists is still the decisive fact in its plans for college recruitment, Dr. Endicott found. This year the companies surveyed plan to hire 47.2 per cent more male employees in these fields than they did last year—7,124 graduates, as compared with 4,769 in 1955. Their hiring estimates for 1956 also reveal a 15.6 per cent rise expected in employment for non-technical male graduates—8,249 graduates, as compared with 7,064 last year. This represents an increase in estimated total personnel needs of almost 30 per cent over the 1955 recruitment figure.

Expectations are that this year's demand for women graduates will be slightly less than last year's, the survey revealed. Less than one-quarter of the companies surveyed have any active campus recruiting program for women; many of them report that they are able to fill their needs adequately from direct applicants. But about one-fourth of the companies report a shortage of trained women in secretarial positions and those requiring math and statistical backgrounds.

Average monthly starting salaries for engineers in 1956 will be $394, a gain of about 6 per cent over last

year's average of $371. The survey also found that salaries in all other fields will reflect similar increases. For accountants, the average salary will be $352, as compared with $339 last year; for salesmen, $358, as compared with $339; for general business trainees, $348, as compared with $337; and for other fields, $374, as compared with $362. The average starting salary for these combined fields will be $366, an increase of $17 over last year's average of $349.

For women graduates, the highest starting salary will be paid to those in scientific jobs involving physics and chemistry. The average salary here will be $358. For secretaries, salaries will average $265; for statisticians, $330; for engineers and engineering assistants, $343; and for general clerical workers, $249.

An interesting sidelight on male graduates' salaries was the survey's finding that the difference in the length of the standard work week played no role in salary standards, except in the accounting field. Starting salary rates in companies with a 37½-hour work week were nearly identical with those having a 40-hour week.

Draft eligibility may continue to be an important consideration in hiring male graduates, but the survey's finding here was that only slightly more than one-fourth of the draft-eligible graduates employed in 1955 had ben inducted into the services. And 129 companies reported that 79 per cent of those drafted had returned to work with the company when their service was completed.

The companies surveyed also reported that 89 per cent of the 1954 graduates originally employed were still with the company or had entered the armed forces; thus, the turnover for reasons other than military service during the first 16 months of employment was about 11 per cent. The respondents also reported that 67 per cent of the men hired in 1950 were still employed by them or in the armed forces. The greatest loss had occurred during the first three years of employment, being equally heavy during the first and second year and decreasing during the third.

Higher salary prospects elsewhere was the most common reason given for loss of graduates by 32 of the companies, whose average loss in the five-year period was 60 per cent. Desire to relocate, desire for more rapid advancement, and dislike of the hours, work pressures, or some other important aspect of the job, were other reasons commonly stated.

Steps used effectively to keep their employees were listed by 24 companies whose turnover rate was less than 20 per cent during the last five years. The most widely used technique was an initial honest and accurate presentation of the business, the job, and the opportunity for advancement. Well-planned, interesting training programs, very careful personnel selection, and regular salary and job-progress review were among the other most frequently employed techniques.

A definite correlation between the average level of starting salary and the rate of employee turnover was established by the survey. The employers offering higher salaries to graduates experienced a proportionately lower turnover rate.

—*Dartnell Sales Service* (The Dartnell Corp., 4660 Ravenswood Avenue, Chicago 40, Ill.), 1956.

The Age of the $20 Bill

THE GREAT PENNY PAUCITY of 1955 seems finally to have ended. Other denominations, both coin and folding money, were in constant supply last year, demand for them being reasonably steady and predictable. However, the new American market has produced some long-term changes in the composition of money in circulation.

Just as a steadily greater proportion of this country's personal income has been moving to the middle-income groups, so a greater proportion of circulating cash has been moving into the middle range of denominations. The $20 bill has been the greatest gainer, now accounting for almost a third of the cash in circulation. The $50 and $100 bills have also got increased shares of the total. But every denomination below the $20 and above the $100 has declined proportionately.

It is especially interesting to observe the diminishing popularity of the very large bills. The $1,000 bill, glorified in the gangster movies of the thirties as the "G," has lost in absolute as well as relative terms. There are now about 440,000 G-notes in circulation, compared with 548,000 in 1941, and about a million at the wartime peak, when they were allegedly in demand by black-market operators. The decline of the small bills, especially the $5, is a little harder to explain; one reason must be that Americans carry more money in their wallets than they used to. Currency in circulation per capita is now about $185, three times what it was in 1941. Men who carried around $10 or $15 in 1941 are today loaded with perhaps $50 or $60—presumably in fewer $5's, more $10's and $20's.

In any case, we are plainly living in an economy that exalts the $20's. Next objective: the $50 bill.

—*Fortune* 2/56

How Do Mergers Affect Business?

DURING RECENT YEARS, mergers of American businesses have increased sharply. Some corporations have acquired competitors or manufacturers of related products. Others have absorbed completely unrelated businesses. To determine the over-all effect of the current merger wave, *Purchasing* conducted a survey among industrial buyers all over the country. Some of the questions and answers follow:

Have you noticed any appreciable decline in the number of relatively small, independent manufacturing companies available to you as suppliers within the past few years?
Yes, 25 per cent; no, 75 per cent.

If so, is this decline substantially because of corporate mergers during this period?
Yes, 65 per cent; no, 35 per cent.

Have you observed any effect of mergers upon service?
Better, 22 per cent; poorer, 20 per cent; same, 58 per cent.

Upon prices?
Higher, 25 per cent; lower, 5 per cent; same, 70 per cent.

Upon competition?
More, 13 per cent; less, 22 per cent; same, 65 per cent.

—*Purchasing* 11/55

The Spiritual Gap in American Labor Relations

THE past 10 to 12 years have been characterized in the United States by a period of collaboration between the leaders of organized labor and the leaders of business and industry under compulsory collective bargaining. These two sets of leaders have been specializing for a decade in building up a whole set of material gains for organized labor which have eventuated in higher real wages than we have ever had before in the United States. On top of wages we now have rest periods with pay, many paid holidays, vacations with pay, and a whole gamut of fringe benefits. In the face of these phenomenal material gains, almost undreamed-of 20 years ago, certain questions appear very pertinent:

Have we, as a consequence of these gains, seen throughout the United States a great surge of enthusiasm for experiences in the employment environment? Have we seen a proportionately greater dedication to higher standards of service and craftsmanship, proportionately greater gains in industrial harmony, and greater peace of mind?

The fact is that for millions of workers in the United States, employment has become a punishment to be endured for the purpose of enjoying the benefits. There are some fine things about the American way of life and American ideals that seem to have been profoundly changing while we have been specializing in and pyramiding these material gains. What used to be the distinctive American ideals of freedom, opportunity, hard work, individual responsibility, and sacredness of the individual human personality have been diluted by the spread of compulsory unionism and continued failure to satisfy the spiritual needs of people at the places where they work.

There is ample evidence these days to suggest that the needs and desires of workers are different from the needs, desires, and objectives of labor leaders. Up to now the leaders of business and industry have gone along with the material demands of organized labor leaders; but in terms of the enduring spiritual values of life, we seem to be getting nowhere at all—and fast. We might provide guaranteed annual wages and even pay them in advance, and we would still be no better off in terms of the really satisfying things of life that workers crave.

How can we meet this challenge? How can we provide employees with better off in terms of the really satisfactions they should be getting from their work experience? First, the leaders of business and industry must commit themselves to the achievements of the two major goals of personnel administration: to establish and maintain mutually satisfying interpersonal relationships among the members of each organizational group, and to encourage the growth of the individual personality of every employee. Second, they must specialize in the problems of people as individuals, recognizing their needs and understanding their attitudes. Third, they must increase their

effectiveness in communication. Finally, they should concentrate on providing the things that labor leaders do *not* demand.

If the leaders of American business and industry really mean what they say at their service club luncheons, at their association conferences and their chamber of commerce meetings; if they are genuinely sincere in their expressed belief in free enterprise; if they really want to retain what is left of the American dream of freedom of opportunity; then they must see to it that the workers of the United States get spiritual as well as material satisfaction from their daily work experiences.

—THOMAS G. SPATES (Professor of Personnel Administration, Yale University). *Michigan Business Review*, January, 1956, p. 22:8.

Wanted: 600,000 Office Workers

AMERICAN business faces a chronic shortage of office workers through the next three to five years. Only drastic corrective steps, taken now, can avert this problem.

Estimates of the current shortage range from 600,000 to 1,000,000. In large cities the search for white-collar personnel is all but frenzied. Smaller urban centers are caught in the squeeze too. It is definitely an employee's market.

"We don't interview them," says one harried personnel chief, "they interview us. They want to know how much take-home pay they will get, how long the coffee break will be, how many holidays, when to expect their first raise."

Office work salaries are being forced steadily upward. A recent Bureau of Labor Statistics survey in 17 major labor markets shows this range of average weekly salaries: typists, from $40 in Memphis, Tenn., to $53 in Chicago; stenographers (in particularly short supply), from $51 in Memphis to $65 in San Francisco; secretaries, from $60 in Memphis to $76 in Los Angeles.

A number of factors are blamed for the current shortage:

High turnover among young women employees—because of an increasing number of early marriages.

Lure of higher pay in factories.

Lack of interest in business subjects while in school.

Low birthrate of the 1930's.

Even firms which find office workers have not licked the problem. Almost all personnel officers interviewed by *Nation's Business* agree that the quality of clerical applicants is not what it used to be. Some companies find that applicants must get additional training at the company's expense.

In some schools, youngsters are hurried through typing and shorthand courses. The result is that most applicants can take shorthand only up to 90 words a minute, instead of 120 or more.

Numerous concerns have been forced to hire additional people to fill the gaps created by the under-

skilled. Two people do the work formerly done by one.

The supply of office workers is not growing as fast as the total economy. In fact, the number of young women readying themselves for office careers is dropping sharply in certain employment areas.

A two-year survey just completed by the National Office Management Association puts the clerical help shortage into clear focus. W. H. Evans, executive vice president of NOMA, sees the shortage continuing for at least three years.

By 1958 or early 1959 the postwar baby boom will begin to show up in America's high schools, in terms of more prospective business course graduates and a larger supply of office workers.

What can business do? Here are steps some firms are taking:

1. Employ more older women, either part-time or full-time. A large pool of untapped womanpower exists in the persons of the retired woman worker and of the married woman who has raised her family.
2. Use more disabled workers.
3. Look into the possibility of employing Negro workers.
4. Attract young mothers back into the labor market by arranging working hours to fit their domestic responsibilities.
5. Provide more on-the-job training.
6. Pay bonuses to underskilled employees who take night school or week-end courses to improve their abilities.
7. Make fuller use of workers already on the payroll. Many businesses freeze a young woman in a job, though she may have received training that would make her a good prospect for advancement.
8. Employ more male office workers.
9. Use more automatic machines in the office.
10. Make work-simplification studies to determine if additional help is really needed.

The business man can break down two principal barriers to an adequate supply of office workers—resistances to hiring older workers and married women.

In numerous areas, 35 is the top age for women seeking office jobs. Yet medicine has lengthened the productive life span, and many companies have learned that women in the age bracket 35-50 not only bring a refreshing stability to office employment, but often make the best secretaries and stenographers.

A basic need is for greater emphasis in the schools on business training. Youngsters should be shown early that office work is a challenging avenue for advancement. In some communities, business leaders are beginning to take appropriate steps. Several large concerns offer senior high school students the opportunity to work at office duties during the summer recess and even during the regular school year.

Such a program gives the student a chance to improve his skills by experience, a factor that will produce a better-equipped applicant after graduation. And the company has created an exponent of good will for itself and the office vocation.

—*Nation's Business*. December, 1955, p. 64:4.

Is Russia Winning the Technical Manpower Race?

IN AN ATTEMPT to throw some new light on reports that the Soviet Union is producing many more trained scientists and engineers than the United States, the *R.P.I. Engineer*, a technical magazine published by students at Rensselaer Polytechnic Institute, recently obtained from the Russian Embassy a specially written article on current Russian training programs.

The report, if accurate, would seem to substantiate some of the recent warnings here by leading American authorities. (AEC Chairman Lewis Strauss recently predicted, for example, that in the present decade the Russians would produce 1.2 million scientists and engineers, compared to 900,000 for the United States.)

Engineering students in the Soviet Union, it would appear, receive far more classroom instruction and on-the-job training than their American counterparts. In Russia, students study for five years at technical institutes, or five and one-half years at the polytechnic institutes. The course taken by the Russian student provides for study in theory, laboratory work, and industrial training in factories and plants, with almost no time spent studying the liberal arts and humanities. The broader and more fundamental engineering courses in the U.S. require about 20 per cent fewer classroom hours, reports R.P.I., and only a very small percentage of students here are enrolled in comparable work-study programs in industry during their college careers.

The study also indicates that Russia has recently opened 250 specialized technical schools, with one- and two-year courses covering all branches of industry and agriculture to train skilled workers and junior technical personnel. The Russians also have a huge correspondence school system with some 580,000 students, which has already trained thousands of engineers and other specialists, it was further reported.

A "Full House" for Safety

MORE THAN 1,600 separate hands, no cash losses, and $100 pots for winners are features of "the biggest poker game in the world" at Kaiser Aluminum & Chemical Corp.'s reduction plant in Mead, Wash. For workers, it's a chance to pick up some cash. For management, it's a means of stressing plant safety.

Every week, each of the 1,600 Mead employees finds a safety ticket attached to his paycheck. Printed with a regular playing card face, the ticket includes his name and number, the date, and a safety slogan. An employee saves the cards each week for five weeks, until he has a poker hand.

Each week, employee time-clock numbers are put in a container, and 25 are drawn. The first 10 employees who know the safety slogan printed on their cards win $5 gift certificates. They also become eligible for that week's "poker" game.

At the end of each five-week period, winners are determined according to the value of the cards they hold. They receive $100 certificates. Employees with lost-time accidents have their hands declared "misdeals."

—*Business Week* 12/17/55

Keeping Up with Tomorrow's Markets

BUSINESS MUST expand by another 10 per cent in 1956-57 if we are to keep up with our growing productivity and the changing standard of living of the American population. The reaching of new heights in consumer purchases, in home building, and in use of credit in 1955 is *not* the spending spree or inflationary boom that many fear and wish to curtail.

Actually, we should have, now, a level of business 5 per cent higher than the 1955 year-end peaks just to keep in line with the growth in consumer purchases that will be necessary to utilize our productive capacity, to avoid serious unemployment, and to reach the minimum goal of living up to a $500-billion level of production by 1965 as envisioned by the President in his Economic Report to Congress in January, 1955.

But consumption must be vastly increased over present levels to support such levels of employment and production. In the next ten years alone we must add over $100 billion to our present peak standard of living to reach the levels of personal consumption needed to support a production of over $500 billion.

An analysis of the level of consumption needed each year between 1950 and 1965 to build up to the 1965 goal shows that, in 1955, our standard of living should have reached a level measured by $263 billion of consumer purchases of goods and services—or 5 per cent above our actual average for the first nine months of 1955. Rather than a year of excessive expansion, 1955 was just a year of trying to catch up with the levels of growth in living standards we must encourage.

Such an increase in living standards, by 1965, is perfectly possible. The increased productivity of our population since 1940, for example, already has resulted in an increase of 92 per cent in real purchasing power—even after adjustment for inflation, higher taxes, and heavy defense requirements.

Both our productive ability and purchasing power point urgently to the need for rapid improvements in living standards. But these improvements can take place only if mass millions of Americans change their habits, change their desires, change their motives, change their ideas of what satisfies them, and change their level of demand for the infinite variety of goods and services and investments that measure a standard of living. The importance of selling and advertising as forces to bring about these necessary changes over the next ten years can hardly be overemphasized.

During the last few years when prices have been relatively stable, literally mass millions have climbed upward in income groups and in discretionary spending power.

Today it is estimated that there are 25.8 million families with disposable incomes over $4,000. As these families move up from one income class to the next, they could rep-

resent substantially increased markets for goods, services, and investments only if they were to take on the habits and desires of the income group into which they move. But their whole previous lifetime training, in most cases, was built around a different concept of how to live. There is a major job for advertising and selling to change these concepts.

Where will the money come from?

Total debt of consumers at about $122.4 billion, including home and farm mortgages as well as consumer credit, is lower in relation to accumulated savings or in relation to discretionary spending power than in prewar years.

An added source of purchasing power is the fact that consumer short-term credit is low in relation to discretionary spending power. The present level of consumer credit at about $33 billion worries some—it is about four times the $8 billion level of 1940. But consumer discretionary spending power, in 1956, is expected to be six times the 1940 level.

The ratio of consumer credit to discretionary spending power has dropped from 31 per cent in 1940 to about 22 per cent. This means that consumer credit—installment sales, charge accounts, and personal loans—could expand by 60 per cent over the high 1955 level without being overextended in relation to discretionary income.

Many point with alarm to our mounting debt total, but few seem to recognize the significance of the rapid decline in the ratio of total debt to total production.

In 1930, the outstanding net total of public and private debt in the United States represented more than double a full year's national production—actually 210 per cent of the year's total production. By 1955 total debt, although over three times greater in dollars, had dropped to 160 per cent of a year's production.

Even more spectacular has been the drop in the relation of total private debt to production. Net private debt of individuals, business, and corporations represented 176 per cent of a year's production in 1930 and 128 per cent in 1940. By 1955 the relationship had been cut nearly in half—to 91 per cent of a year's production.

Meanwhile, net corporate long-term debt has dropped to half its prewar relationship to national production, and the ratio of corporate profits, after taxes, to corporate long-term debt had increased from 15 per cent in 1940 to 25 per cent in 1955.

These facts on the decline in debt in relation to production, and on the position of corporate earnings and share prices, indicate the strength of our financial position. They emphasize that our chief concern should not be so much with the size of our outstanding debt, but rather with the means of expanding consumer purchases and our level of living fast enough to utilize our productive ability and to keep fully employed our growing labor force.

Over the next five to ten years there will be massive needs for new capital investment in improved productive facilities if we are to reach the production and consumption levels of which we are capable. This may

mean readjusting our concepts of debt limits and a major broadening of corporate stock ownership.

At present, ownership of corporate stock has a woefully low penetration or acceptance among American families. Only 4 per cent of those with incomes under $5,000 own any corporate stock as compared with 33 per cent of those with incomes over $10,000. By 1960 it is possible that the number of families with disposable incomes over $5,000 will more than triple the 1950 number—up to an estimated 23 million compared with 6½ million. This should offer an opportunity for widening of share ownership.

The magnitude of the job to be done in changing consumer habits as well as the great opportunity for expanding sales in nearly every field of production and services suggests the need for raising our sights in business and finance.

It suggests the need for reorientation of objectives and re-examination of markets and methods—not in relation to the past but in view of the new and changed opportunities.

—From an address by ARNO JOHNSON (Vice President and Director of Research, J. Walter Thompson Co.) before the Sales Executives Club of New York.

New Light on Why Men Work

"A FAIR day's work for a fair day's pay." A simple phrase, but it causes more labor-management acrimony than all other issues combined. It's a rare boss who does not feel that workers, without straining themselves, can put more shoulder to the wheel. And it's a rarer bird of an employee who doesn't feel that he's doing more than his share.

For over half a century, American management has had one basic approach to the problem of worker productivity: incentives. Labor leaders have traditionally held incentive plans suspect. They have a word for them—"speedup." And the very complexity of incentive systems, many of them arithmetical nightmares, works against them.

Now William F. Whyte, a professor at Cornell University, has come along to show that money isn't everything to an employee anyway. In a recent book, *Money and Motivation* (Harper's), he points out that most workers will not produce up to their capabilities, incentives or no.

It all boils down, he says, to group pressure. The modern factory or office is really a social enterprise, and the employee comes there not only to work, but for satisfaction of other needs. He wants to be accepted by a group, or get recognition as "one of the boys."

Work groups as such don't like individual competition. They set the standard as to what constitutes a fair day's work—and woe to the employee who breaks from the group-inspired norm. In steel mills a "ratebuster," as a non-conformist is called, is likely to have several narrow escapes from ac-

cidents. In less hairy-chested environments, the ratebuster may get the silent treatment, his wife may find herself without shopping friends, and his kids may be without playmates.

Sometimes the group will relent. If a worker has a sickness in the family and needs some extra money, he'll talk things over with "the group." They'll agree for him to put in extra effort so he can increase his take-home pay. But only temporarily; when the crisis is over, he slows down.

If group pressure is so anti-incentive, why are there so many piecework plans, and variations of such plans, in industry? The reason is that "the group" usually agrees informally to produce more than the average, but never to the full extent of its capacities.

If money is not the basic motivation behind more productivity, what is? Some employers have believed that there may be a relationship between high morale and greater output. So on come the recreation programs, the fringe benefits, the communications, the picnics, the rest periods, the heart-to-heart talks. Does it help? Says Mr. Whyte:

> If we mean by morale only that workers are well satisfied with jobs and think well of management, then high productivity does not necessarily follow. People may simply be happy to be members of the organization and have no urge to contribute to its goal of production.

—LAWRENCE STESSIN. *Forbes*, February 1, 1956, p. 31:1.

Sickness Absenteeism—Some New Facts and Figures

WOMEN WORKERS are absent from work more than twice as often as men, according to a recent study conducted by Dr. Leo Wade of Esso Standard Oil Co. (New York) among 28,000 workers.

For every thousand women, Dr. Wade found, there were 2,772.3 absences per year, compared with 1,054.8 absences per 1,000 men. But the average number of days lost per absence among women was less than half that for men—3.6 and 8.8 days.

The average number of absences per year tended to decrease slightly as employees grew older; however, the average duration of absences increased "strikingly" for men. One-day absences made up a smaller portion of the total absences with each successive decade, while long-term absences increased.

Respiratory disease accounted for almost half of the total absences, while gastrointestinal disease was responsible for slightly more than one-fourth. With advancing age, the frequent mild upper respiratory or gastrointestinal upsets were replaced by infrequent, but more serious diseases.

The major part of the total number of absences was due to a relatively small number of employees—often the same employees year after year.

Morale factors, such as supervisor's personality, type of work, and home situation, were of "extreme importance" in influencing the rate of these absences. And weather, though often blamed for increased absenteeism, played no part in it. The only observable correlation was that there appeared to be fewer absences on hot days.

For the Specialist . . .

Financing Life Insurance for Pensioners

WHAT is the best solution to the problem of post-retirement life insurance? Speaking at a New York meeting of the Council on Employee Benefit Plans, Henry S. Beers, now president of the Aetna Life Insurance Co., asserted that the general trend, though a slow one, is to analyze both cost and value and then adopt a plan of continuing after retirement a substantial fraction of the pre-retirement amount.

The ultimate amount in important plans recently adopted or negotiated varies from 30 per cent to 50 per cent. A one-shot reduction at retirement has been customary, reported Mr. Beers, but gradual reductions over a two-year to five-year period are perhaps gaining a little in popularity.

A major problem in providing substantial death benefits for pensioners, Mr. Beers said, is finding the best method of financing. If a conventional group life insurance contract on a yearly renewable term basis is used unmodified for the continuation of coverage for pensioners, the initial effect on employer cost may be negligible; but future employer costs will increase, perhaps over a long period, as the pensioner group builds up and ages. The cost will level off only when, if ever, the pensioner group stabilizes at an ultimate maximum level.

The use of group term plans also has the disadvantage that employer payments for the post-retirement coverage do not commence until the individual retires. It is now a commonly accepted accounting principle that these post-retirement costs are incurred as a part of the cost of doing business during the individual's active working years and should be paid for before the employee's retirement.

One solution to the problem of funding the cost of pensioner benefits is suggested, Mr. Beers commented, by recent labor agreements in the steel industry which provide for continuation of life insurance for pensioners under a yearly renewable term policy with the employer (and, usually, employees) contributing into a special fund from which the future premiums for the pensioner coverage would be paid.

These special funds are intended to be relatively simple to administer. In general, there is no provision for any vesting of the death benefits in employees prior to their actual retirement, so that the over-all cost of the program is held to a minimum.

The arrangements for such special funds must be designed carefully, however, if serious tax complications are to be avoided for the pensioners and for the employer. A generally accepted pattern for satisfactorily setting up these funds has not yet appeared, Mr. Beers said.

A different solution, described by Mr. Beers, to the problem of funding

pensioner benefits is a recently developed form of group life insurance coverage under which, during the active working period, employees' contributions are applied to purchase fully paid-up life insurance for themselves individually. Under this plan, commonly called group paid-up, the insurance in force for an active employee is made up of paid-up insurance which his contributions have purchased and supplemental term insurance paid for entirely by his employer in an amount sufficient to bring his total death benefit up to the scheduled amount of insurance.

An employee who contributes under this plan for most of his working lifetime will, by the time of his retirement, have purchased an amount of paid-up insurance that will generally constitute a reasonable post-retirement death benefit—and this will obviously have been provided on a fully funded basis. For employees who retire during the early years of the plan, having had too few years of contribution, some supplementation by employer-bought term insurance is desirable in order to provide a reasonable minimum level of post-retirement insurance; but the employer's liability for such post-retirement insurance is restricted to the older members of the initial group. Under the paid-up plan, it may be said that current service benefits are fully funded through paid-up purchases while past service benefits are run off on a pay-as-you-go basis by means of the supplemental term insurance. The paid-up insurance is at all times fully vested in the employee, who can take it away with him on termination of employment or surrender it, if he prefers, for a cash value at least equal to what he paid for it.

The paid-up plan, Mr. Beers pointed out, avoids tax complications under current revenue bureau rulings, because employer premium payments are restricted to the purchase of current term insurance coverage.

—*Employee Benefit Plan Review*, December, 1955, p. 8:3.

How to Learn by Listening

NO MATTER how much or how often men may defame women as gossips and chatterers, they always give the girls high marks for being good listeners when they're out to woo and win. Yet, exposed to this kind of master salesmanship down through the ages, how many men have learned to use it themselves, when their object is to woo and win the employees in their plants to the purposes of the enterprises?

It's a little hard for someone who knows, or is pretty sure he knows, what other people should do, to sit still while they tell him what they think should be done. But it's a fact that some of the most able leaders not only listen to their employees; they create opportunities for the employees to tell them what's on their minds.

There are a number of ways of

finding out what the employees are thinking:

1. *Listen, with an understanding ear, to what the union has to say.* The union is at best an imperfect instrument of communication, and what it says may be incomplete or misleading. But, listened to with understanding, it will serve the experienced manager as at least a rough gauge of what's going on in the minds of those he hopes to win.

2. *Take an attitude or morale survey.* This is probably the most frequently practiced method of sounding out employees, and it is used by large companies and small.

Excellent as the survey may be for some purposes, it has some drawbacks. One is its extreme impersonality. The employee filling in a questionnaire fails to get the satisfaction to be derived from a face-to-face talk.

A second liability is that surveys are often undertaken without realization that, if management asks for criticisms, it must act upon them. If no effort is made to meet the problems uncovered, employees may feel that they have been whistling into the wind—and what was conceived as a means of boosting morale may end as harmful to it.

Finally, too much emphasis may be put upon majority responses. As we know from political life, people cannot be dismissed like numbers, and the problems of minorities often cause as much concern as those of majorities.

3. *Hold departmental meetings, at which supervision actively solicits comments and questions as to job conditions and company policy.* Thompson Products Company, Cleveland, has used this method effectively for a number of years. Its policy has been to bring dissatisfactions and lack of understanding out into the open before they grow into full-fledged grievances.

Thompson Products combines this method with the use of a number of area personnel supervisors whose duty it is to talk to each employee in their areas at least once a week, and to be accessible when any employee wants to talk to them.

4. *Provide an easy means for employees to ask questions and a regular channel for answering them, as in the "question page" of the employee publication.* The Detroit Edison Company has been running a question box feature in its employee magazine, *Synchroscope*, for more than seven years. Says Peter Helmers, editor of *Synchroscope:*

"Charles R. Landrigan, the executive vice president who answers the questions, considers the question box a very useful element in the candid pattern of employee relations here.

"The questions come in at a remarkably regular pace. Surveys show that this is one of the best-read features in the magazine. . . .

"From the nature of the thing, a question box is naturally a challenge to management. That may help to explain why the feature has such a high readership. Employees have a great appetite for information from high sources; but they have an interest equally great in the sheer spectacle of management answering questions from the floor. . . .

"The tone in which questions are

answered is of great importance. Even if an employee isn't personally concerned with the subject being answered, he reads with an inner ear for the overtone of friendliness and sincerity in management's answer."

Extensive use of the individual question-and-answer technique is also made by W. A. Patterson, president of United Air Lines. Every payday, 15,000 employees of the airline receive a blank form in their pay envelopes, on which they are urged to submit any questions they want answered. In every issue of *United Air Lines News*, President Patterson answers 10 to 30 questions in an 1,800- to 4,500-word department that begins on Page 2 and sometimes takes up as much as three-and-a-half pages of the magazine. Today the total of questions runs into the thousands, and so far, he says, there has not been a crank letter among them.

5. *Work more of the employees in on collective bargaining sessions; they're your finest opportunity to tell your own story, as well as to hear theirs.* Saul M. Silverstein, president of the Rogers Corporation, Rogers, Conn., manages to get a large portion of his 375 hourly workers, office workers, and executives in on bargaining at least once a year. He pays their lost time, and he schedules bargaining sessions once a month instead of annually so that, "by blowing off steam in 10 monthly units, we come into agreement negotiations during the eleventh month with a head of steam that is a little thing—10 of which, put together, could be explosive."

—ALFRED G. LARKE. *Dun's Review and Modern Industry*, April, 1955, p. 43:3.

Distribution Trends—Employment Up, Costs Stable

THE DISTRIBUTION of goods has employed a rapidly increasing share of the nation's labor force since 1930, reports Dr. Harold Barger of Columbia University in a study made by the National Bureau of Economic Research. In 1950, one worker out of six was engaged in commodity distribution, as compared with one out of eight in 1930. Over the same 20-year period, persons engaged in commodity production declined from one-half of the labor force to two-fifths.

Despite the increasing number of workers absorbed by the distribution industries, the cost of distribution has not increased since World War I, according to the report. But output per man-hour in the distribution industries increased only 20 per cent between 1929 and 1949, compared with an increase of over 66 per cent in manufacturing, mining, and agriculture.

The share of the retail dollar going to retailers and wholesalers has been stable since World War I, comprising about 37 cents out of every dollar spent for finished goods. But distribution cost varies sharply among different commodities and by type of store, Dr. Barger reports. In recent years, distribution cost has taken more than 50 cents out of every dollar in four types of retail outlet: milk dealers, restaurants, bars, and jewelry stores. Chain stores have the lowest distribution margin, taking 20½ cents out of every customer's dollar.

—*Commerce* 1/56

Office Automation: Evolution, Not Revolution

OFFICE AUTOMATION is expanding into new dimensions every day. How are we to evaluate it? What will it do for us?

We must find facts that we can depend on as a foundation for constructive thinking and planning. And we must find them fairly quickly; the pressure grows daily for the development of new procedures.

Yet, a hastily organized adventure into heavy equipment can be disastrous. Every company that has made a notably successful changeover has stressed the period of planning and preparation—a period which, incidentally, often creates improvements in procedures that account for a large percentage of the total savings.

The new machines are not wondrous contrivances totally divorced from every machine that has ever existed in the past. They can do exactly the same things now done by other simpler machines; their great advantage lies in their speed and their ability to carry out an entire series of operations.

The three main characteristics of electronics in office operations are:

Speed of calculation. Minutes on the electronic machines replace hours, even weeks, of human computation time. This is the data processor's great advantage in its most promising field, that of extending the range of management planning.

The second characteristic, *high cost,* is a disadvantage ignored by too many businesses.

The third characteristic, though the least publicized, is by far the most important: *ability to organize work.* The data processor can perform a whole cycle of operations as a self-contained unit, without human intervention.

Punched-card installations give us—to a degree—the same automatic performance. But operators must still transfer cards from one machine to another, set up the machines and switch control boards, and check procedures.

The new machines eliminate much of this transfer and checking. This cuts processing time and eliminates almost completely human error as we customarily understand it.

But there is a reverse side to this great advantage; when a human error does occur in electronic data processing, it can have very serious consequences. Consider the results of a single error in programming instructions on a machine which is to perform thousands of operations based on those instructions. Consider the seriousness of a single error in information, if that information is the basis for a pyramid of operations.

By increasing mechanization, we automatically increase the need for accuracy. This underlines a point often overlooked. As we move into new worlds of mechanization, the need for people of the highest level becomes more acute. We may be able to cut down on the quantity of personnel—although even that is debatable—but

we are definitely going to have to raise the quality.

Punched-card and electronic data processing installations have these points of similarity:

1. Each requires standardization of requirements and coding of data and procedures.
2. Each can digest large quantities of details.
3. Each can "organize" work.
4. Each can calculate.
5. Each can verify data automatically.
6. Each can reproduce information automatically.

These similarities may suggest fundamental questions: Is the electronic unit really necessary? Have you explored everything that can be accomplished with punched cards? Does your work volume require the speed of a computer?

Furthermore, do you have the funds necessary for a computer installation—not merely for the purchase or rental of the machines, but for methods and systems research, conversion of work processes, training personnel, housing and air conditioning a large computer?

Another reason for taking a second look at punched-card installations is this: Electronic processors do not mean the end of punched-card installations, any more than the appearance of punched-card installations meant the end of simpler machine methods.

Each new development complements previous developments. It takes over some work previously done by simpler machines, but it never altogether supersedes them. For low volumes of work, the simpler units are often more efficient as well as cheaper.

With these facts in mind we can approach realistically the question of an electronic data processing installation.

There are plenty of sources of information, and there are specialists we can consult.

Last of all, however, we in management must ask ourselves some of the most vital questions.

The first question is: What main problem are we trying to solve?

Are we looking for speed in reporting inventory? Or is improvement of our business forecasting the most important objective? How are we now meeting the problem which we think may be solved more easily by electronics, and in what particulars are our present procedures inadequate?

If it is established that we need a computer, the next question is: What type? Should we use part of the capacities of a general purpose computer, or a special purpose machine?

In spite of the controversy between the adherents of the special purpose computer and those who maintain that only the big machines are adequate, there is room for every kind of electronic device. Companies which have planned carefully and analyzed their needs scrupulously have had success with every kind of electronic unit; companies which have bought without adequate planning have had bad experiences with both types of installation.

Even in companies where electronic data processing units have been installed, punched cards remain one of the best input devices for the processor. In small installations, and in certain preparatory work before final

computer processing, punched cards will continue to have a vital role.

Finally, a punched-card installation is the foundation on which a successful electronic data processing installation can be planned. Punched cards are, in a very real sense, the building blocks of office automation.

—W. P. LIVINGSTON. *Office Management*, January, 1956, p. 17:8.

Social Security Policy: More Facts Needed

WHETHER governmental Social Security is a good or bad thing, whether it has been developed properly or not, one fact would seem to be clear: We cannot go on adopting substantial increases in benefits in the law every even-numbered year without sooner or later reaching a point where Social Security becomes clearly harmful to the American people.

Today we face a confused situation. Benefit payments to the elderly are being increased; yet, taxes on wages are still kept substantially below the rate which will ultimately be necessary to support such increased benefits. We cannot expect the public to appreciate this long-range problem, but we can expect uninformed political pressure for recurring liberalizations of benefits.

Is there any objective way to pin down the approximate point at which Social Security begins to go beyond its range of possible usefulness and demonstrably begins to damage the American economy?

Here are some aspects of the problem that should be explored:

For one thing, we know that the future burdensomeness of the federal OASI system and of other provisions for retirement security is dependent in large part on the future productiveness of the American economy. Will the increasing benefit disbursements, now foreseeable, make inroads on the living standards of self-supporting people, or can such inroads be prevented by increases in national productivity?

From another standpoint, gains in national productivity must stem largely from continuing investments in new productive plants and equipment. What incentives will be needed to attract such investment and what will be the effect of rapidly expanding Social Security on such incentives?

Another avenue to explore is the inflationary or deflationary implications of Social Security. For Social Security provisions to be most effective, should not the benefits have stable purchasing power? What level of benefits, and what method of financing them, would be most helpful in maintaining stable prices?

Still another facet of the general problem requiring study is the interrelationship among old-age assistance, the OASI system, and private pension plans. By and large, the level of Social Security benefits is a determinant of the area in which private pension plans may operate. Of what economic significance is the advance funding—or savings—element in such

private plans? Will the funding of private plans help significantly to finance the productive investments necessary to maintain continually increasing national output?

Finally, what is the experience of foreign systems? Great Britain, to name one country, seems to be two or three decades farther along the social security road than we are. What can we learn from the difficulties and problems now besetting the British? It may well be that we could profit from their mistakes.

—From an address by RAY D. MURPHY (President, Equitable Life Assurance Society of the U. S.) before the Life Insurance Association of America.

Incomes After 65—A Survey

ONLY ONE OF EVERY FOUR Americans over 65 has an income of more than $1,000 a year, reports a recent Twentieth Century Fund survey. Thirty-six per cent of these older people, it is estimated, have no income of their own; 38 per cent have a yearly income under $1,000; and 11 per cent have an income between $1,000 and $2,000. Only 15 per cent have an income of $2,000 or more.

Since 1900, the survey showed, the number of people 65 and over in the United States has quadrupled, while the total population has only doubled. Their number, now nearly 14 million, is steadily increasing.

Thirty-three per cent of those 65 and over receive Social Security benefits or benefits from related public and private retirement programs, the study found. Thirty per cent are at work or are the wives of wage earners. Twenty per cent receive public assistance. Twelve per cent have some income from personal savings, insurance, investments, relatives, or veterans benefits. Five per cent are in hospitals, homes, or other institutions.

Although Social Security and other benefits provide income for a larger number of older persons, employment provides the largest share of total income in terms of dollars.

Should a Red Don a Gray Flannel Suit?

LONG DENOUNCED by communists as one of the evil trappings of private capitalism, advertising now seems to be gaining a degree of respectability east of the Iron Curtain.

Recently a United Press dispatch from Berlin reported that East Germany's official Communist party newspapers are severely rebuking state-owned industries for not advertising their products. One paper, *Neues Deutschland*, complained that trademarks are almost unknown and that many factories identify their products only with numbers attached to the goods. The paper said that it is easy to hide bad work behind a number. Then it went on to urge the popularization of trademarks, adding a pious caution:

"Naturally, we do not desire the shouting publicity of capitalist firms designed to sell inferior products. But we do want to campaign to make products of good quality."

—*Washington Report* (U.S. Chamber of Commerce) 1/20/56

Can You Profit from Clerical Work Standards?

P. M. GRIEVE

TODAY, AT LEAST one out of every eight working Americans has some sort of clerical job. At the end of the 1920's the ratio was only 1 to 12. This tremendous growth in the actual and relative numbers of clerical personnel has focused considerable attention in recent years on clerical costs and productivity.

Some surveys have shown that if the average employee were to work at a pace which might be considered a fair day's work, he would increase his output from 25 to 100 per cent. Generally, it is believed that the typical clerical employee's productivity could be increased by from 40 to 60 per cent. If these estimates are accepted as valid, then the question of how the performance and productivity of the average clerical employee can be improved poses an important problem.

The most recent approach to gain any general acceptance has been the development and use of clerical work standards. It is the purpose of this article to discuss the background, techniques, and pros and cons of these standards, and to present various types of standards that are being used by industry today.

Work standards have been defined by Leffingwell as "a level of accomplishment which has been set for attainment and by which the degree of accomplishment is measured." In other words, they are specific goals or quotas for efficient production and/or performance, translated into tangible units of measure.

EVOLUTION OF CLERICAL WORK MEASUREMENT

Though many of the techniques are new, clerical work measurement has been in use since the early 1920's; a notable pioneer was the Aetna Life Insurance Company. Alden's, Inc., the Chicago mail order house, has had a clerical work measurement program and direct office incentives for 29 years. The Northern Trust Co. of Chicago has had clerical work standards for 20 years.

The early work of these companies has since been amplified and in recent years several new techniques have been introduced to aid in the development of standards. The methods of work measurement generally in use today are:

1. *Past performance or experience.* Here, the past history of clerical performance is reviewed and the standards for reasonable performance are developed from it.

2. *Time records.* Under this system, each employee records his own operating time and production in a supervised test period. These results are then summarized, analyzed, and lev-

When this article was written, Mr. Grieve was a staff engineer with the management consulting firm of A. T. Kearney & Company. He has since become Treasurer and Controller of the Rap-In-Wax Paper Company of Minneapolis, Minn.

eled to determine the standards for performance.

3. *Visual analysis.* Here the work is reviewed visually by an analyst and a count is made of production, under normal conditions, based on the one best way of performing the activity. No special measuring devices are used other than an ordinary watch or clock.

4. *Time and motion study.* This method utilizes the stop watch techniques developed and used for many years in measuring factory production and performance.

5. *Predetermined elemental time values.* A recent development which is gaining acceptance in some programs. This technique involves analyzing the basic motions involved in an operation and the development of the time value for the total operation by utilizing the predetermined time values, contained in tables, for each of the basic motions.

6. *Work sampling or ratio delay.* This is an even more recent development in the determination of clerical standards for proficiency. The technique is based on the intermittent but frequent spot checking of the activity of a worker or a group of workers and the recording of the activity at the moment it is observed. The amount of time spent on each type of operation in relation to the total time available is determined from the ratio developed in the work sample.

WHAT CAN BE MEASURED?

By and large, work measurement must be restricted to physical product or activity. It is difficult, if not impossible, to measure reasoning time. Generally, there are two broad categories of office work which cannot be measured or subjected to work standards. They are:

1. Jobs which are primarily creative, such as design draftsman or methods analyst. (However, even these jobs are subject to general budgetary hours control.)

2. Jobs in which an employee is kept at his work station regardless of the volume of work because his presence is needed there—a receptionist or a stockroom attendant, for example.

The activities which most lend themselves to measurement and the development of standards are the repetitive manual office operations. For the most part the data developed to date have been for such work as tabulating procedures, office duplicating functions, manual clerical tasks such as sorting and filing, forms writing and processing, and the operation of key-driven machines, such as typewriters, accounting machines, calculators, etc.

PRESENT USERS OF CLERICAL STANDARDS

In addition to the companies mentioned in the beginning of this article who have pioneered in the use of clerical work standards, a considerable number and variety of organizations have moved into this field in recent years. In a survey recently conducted by the author on behalf of the Chicago Chapter, Systems and Procedures Association of America,[1] 275 representative companies in a variety of industries were selected and questioned about their use of clerical standards.

[1] The complete report, which includes a variety of actual standards in use, may be obtained by writing Mr. F. W. Hennings, Allstate Insurance Co., 7447 Skokie Blvd., Skokie, Ill. Price, $5.00.

TABLE 1

CLERICAL STANDARDS SURVEY DATA

Type of Company or Industry	Number of Firms Reporting		Number of Clerical Employees		Per Cent of Employees Covered
	Total	With Standards	Total	Covered by Standards	
Mail order houses	2	2	3,500	2,500	71.43
Banks and insurance companies	4	4	5,825	2,738	47.00
Utilities	3	1	1,044	247	23.66
Publishing	3	1	1,515	294	19.41
Heavy equipment manufacturers	8	0	7,277	0	—
Metal fabricators	7	2	3,255	10	.03
Steel manufacturers and processors	3	2	3,985	450	11.29
Miscellaneous manufacturers	13	2	3,329	180	5.40
Service companies and institutions	3	1	432	20	4.63
Total	46	15*	30,162	6,439	21.35

* One aircraft company and one steel manufacturer, though included in this total, do not use their standards to measure clerical productivity.

The data reported by the respondent firms are shown in Table I.

As might be expected, banks, insurance companies and mail order houses reported the greatest use of clerical work standards. In these concerns, clerical costs have always formed a large part of total operating costs, and such companies have been directly interested in clerical costs for a much longer time than most other businesses. In manufacturing organizations, clerical costs represent a much less significant portion of total operating costs and, therefore, have not had the same attention. However, the larger manufacturing companies are now scrutinizing clerical costs more closely, and many of them are beginning to take definite steps toward the use of clerical standards.

HOW STANDARDS ARE BEING USED

In reply to the question, "For what purpose do you have standards?" approximately two-thirds of the companies said they used them for supervisory control, and roughly the same proportion indicated that they were a help in evaluating methods. "Determining personnel requirements" was another frequently cited reason. About half the companies use standards to determine promotions and merit increases, and as an aid in developing budgets. One-third use them as a basis for clerical incentives, and at least one company uses them as a basis for supervisory incentives.

Twelve of the 15 companies with standards said that they used time study in setting them. About half reported that they used past experience. Predetermined elemental time values were used in setting standards by 40 per cent, and rather more than one-third relied on "judgment."

ADVANTAGES OF STANDARDS

Against this general background, we can now consider the arguments for and against the use of clerical work standards. On the plus side can be set the following advantages:

1. Office work can be stabilized and definitely related to workload. Conflicting opinions as to whether more or less help is needed no longer need arise. Peak clerical workloads can be anticipated and scheduled.

2. Proposed systems improvements can be evaluated before being installed.

3. Different office machines can be compared, and the advisability of investing in one type of office equipment rather than another determined before the outlay.

4. The comparative efficiency of individual departments or offices can be assessed.

5. The cost of each important document or report can be determined, since each step in its preparation can be evaluated.

6. Employee compensation can be adjusted by comparing performance against standards. Standards can also be used as a basis for incentive payments.

7. The burden of supervision can be lessened through the use of standards to measure and control output.

8. More positive evaluations of employees are possible. Performance against standards can be one of the factors determining merit increases or promotions.

9. More accurate manpower and cost budgets can be developed.

SOME DEBIT FACTORS

On the other side of the balance sheet must be set several considerations that should be taken into account before a program of clerical work measurement is decided upon. To begin with, the job to be measured and the purpose for which it is being measured must be compatible. For example, if work standards are applicable to some small group within an organization and it is proposed to use them as a basis for incentive payments, the possibility that the use of incentives for a small group within the office may have adverse effects on the attitude and morale of the rest of the staff must be considered. Are standards to be used in an obvious attempt to cut the payroll? This can be a dangerous objective.

For the average company, a pertinent question is, how many people within the organization are actually engaged in activities which can be physically measured? As has already been mentioned, clerical activities which involve judgment and activities which require the employee to be at a certain place continuously despite the volume of work at that point do not lend themselves to measurement. In many organizations, if the personnel coming under these two categories were left out of account, only a few scattered and insignificant jobs would remain. Care must be exercised in applying standards to loosely knit, far-

flung, clerical posts, since the costs of developing standards and production reporting might exceed any anticipated savings.

Further, the problem of office morale in general must be taken into account. How will standards affect it? For better or for worse? Will they encourage union organization and/or general worker unrest? In general, will the clerical people continue to be loyal to management? These problems may not, perhaps, greatly affect the company with a vast clerical force, but when applied to smaller companies they become more cogent. This is a question which must be answered in the light of individual company circumstances and management's philosophy of operation.

To date, a number of reports have been published claiming appreciable savings through the use of work measurement programs. While the savings themselves cannot be disputed, there can be considerable argument as to how they were actually achieved. In most of the reports, there is no distinction between the savings which were effected through methods simplification and the elimination of unnecessary activities and those which resulted from the use of clerical work measurement. Possibly, we need more facts in this area before the relative value of work standards can be finally established.

This whole question of whether savings are achieved through work simplification or through work measurement underscores the importance of what, in the author's opinion, are the five prerequisites for establishing any work measurement program:

1. *Work simplification.* In the mass of material that has been written about the use of clerical standards, there is almost unanimous agreement that before any program of work measurement is undertaken all jobs should be analyzed for work simplification and method standardization.[2]

2. *Job analysis.* Equal stress has been placed by the experts on the necessity for adequate job descriptions for all positions. As R.L. Peterson has pointed out, "One of the first procedural techniques to be undertaken in setting work standards is job analysis. After job analysis has been prepared it is necessary that it be studied in an effort to improve and simplify the procedure." [3]

3. *Supervisor training.* Still basic to the success of any business organization is the fact that the supervisor's knowledge of the work performed by his group, and his ability to organize and lead them while maintaining their respect, largely determine the effectiveness of his work force. Yet this important area is often one of the most neglected. Before they think about setting up a program of clerical work measurement, many companies would do well to consider the value of a supervisor training program. Cost control has always been and will always be the responsibility of first-line supervision.

4. *Basic compensation analysis.* Though work standards can be used to set up an incentive wage program, there is a risk that the standards and the incentives may be imposed upon

[2] See, for example, R. S. MacKenzie, "The Relation between Work Measurement and Pay Earned," *AMA Office Management Series 115;* and James B. Slimmon, "Incentives that Produce Results," and D. S. Valentine, "Setting Standards for Work Performance," *AMA Office Management Series 121.*

[3] *Business Management Service Bulletin 501,* University of Illinois.

TABLE 2

SELECTED CLERICAL STANDARDS—MANUAL

Description	Machine	Time Values: Unit Time	Time Values: Units per Hour
A. Low Mental			
Assemble two items and staple together.		.110	545
Hand fold sheet 8½ x 11 with one fold.		.049	1250
Insert loose fit, single item (mass production as blotters in statement envelope).		.055	1090
Assemble two items and insert in window envelope (tight fit mass production).		.120	500
Assemble three items and insert in window envelope (tight fit moderate production).		.132	455
Seal ordinary envelope.		.070	858
Apply tape postage to envelopes.		.090	668
Open envelopes by hand—single operation.		.110	545
B. High Mental			
Count items listed on a sheet or similar source, where all items are counted.		.0065	9240
Count checks or tickets and record total.		.013	4610
Visually compare columns of figures on tapes, reports, tabulations, etc. with columns in like order on tapes, reports, tabulations, etc. Time includes allowance for indicating figures checked with pen or pencil.			
Number of digits per figure compared			
1		.0091	6600
2		.0128	4700
5		.0239	2515
10		.0498	1210
Compare specific item to tabulating listing to ascertain its presence.		.687	87
Inspect items for five details (mass production), e.g. large items in bookkeeping.		.137	438
Sort large quantity of items into categories (two to four) readily apparent to operator.		.020	3000
Sort items into many categories, predetermined with a degree of variance (sort incoming mail).		.026	2310
Sort orders by state.	Remington Rand Multisort	.065	924
Sort 3 x 5 cards to A-Z.		.200	300
Sort 3 x 5 cards 8 digit numeric sequence.		.200	300
Locate and pull Addressograph plates from A-Z file.		.143	420
File papers in A-Z files.		.204	294
File 3 x 5 cards in A-Z file (30,000 names).		.126	475
File 3 x 5 cards in A-Z file, which is broken up by alphabetical file guides.		.085	700

TABLE 2 (cont'd)

SELECTED CLERICAL STANDARDS—KEYBOARD MACHINES

A. Typewriter

Description	Machine	Time Values: Unit Time	Time Values: Units per Minute (All words are 5 letters)
Type name and address and one additional detail on preprinted form. Insertion time excluded.	Electric typewriter	.460	2.2 operations
Type name and amount or name and account number on card. Insertion time included.	Electric typewriter	.335	3 operations
Type paragraph style letters from typed or printed source—no make-ready included.	Electric typewriter	.0215 per word	46 words
Type paragraph-style letters from dictated transcriptions—average includes make ready, removal and placing in finished order.	IBM electric typewriter	—	44 words

B. Calculating Machines

Description	Machine	Time Values: Unit Time	Time Values: Units per Hour
Multiplying			
Compute and manually post extensions	Comptometer		
2 x 3 digits		.102	575
3 x 3 digits		.120	500
3 x 4 digits		.144	425

Adding

Adding columns containing several items, with items having several digits and write answers (all times in minutes per operation).

Items per Column	Digits per item (including 10% zeros) 3	6	9	Machine
5	.122	.229	.442	Monroe Calculator regular method
20	.486	.916	1.766	
50	1.215	2.290	4.415	

C. Accounting Machines

Description	Machine	Time Values: Unit Time	Time Values: Units per Hour
Post accounts to ledger sheets, including pulling sheet, post from source and replacing sheet.	Model 3100 NCR	.11	500 operations
Prepare payroll checks including insertion of check and earnings card, posting 2 or 3 items, making 2 or 3 deductions, computing tax and inserting, and removing check and card.	Burroughs Sensimatic	—	100 operations

a basically unfair salary scale. In such a case, an employee's dissatisfaction with his basic salary may be intensified by the incentive standards placed upon his activities. In these circumstances, a preliminary analysis and adjustment of existing salary scales might be undertaken. Such an analysis may well lead to better morale, and hence better productivity.

5. *Office automation analysis.* The ever-increasing speed with which improved office equipment, especially electronic equipment, is being introduced makes it essential that present office methods and procedures, particularly in the larger companies, be constantly reviewed in the light of latest developments. In certain cases, some of the very factors which might lead a company with a large clerical staff to consider the use of clerical work measurement might, on the other hand, be equally cogent arguments for the installation of electronic data processing equipment which would eliminate the need both for the clerk and for a clerical work measurement program. Certainly, in view of the tremendous amount of time and money involved in installing either an office standards or an electronics program, the risk of choosing the wrong course must be guarded against. Every organization must decide which course of action best suits its situation before it commits major expenditures to either of these vast undertakings. Perhaps the thought expressed here bears repeating—the rate of new equipment development is so dynamic that its potentialities must be thoroughly examined before any contemplated clerical work measurement program is embarked upon.

At the present time, it may be doubted whether the majority of American offices have set up, much less completed, many of these five programs. It is only the large, more obviously progressive companies—the ones that have already embarked on clerical work measurement—who have been concerned with clerical costs long enough to have carried out these basic five programs. This possibly explains why more companies have not entered the field of clerical work measurement as yet.

POTENTIAL USERS OF STANDARDS

Nevertheless, in almost all industries, companies employing large clerical staffs are now considering the adoption of clerical work standards, or have already installed them. Any organization which has a large number of employees performing routine manual tasks is a potential user of clerical standards, subject, of course, to the pros and cons previously discussed.

Can the small or medium-sized company use clerical work standards also? This is an important and, as yet, unsolved question. In some special instances, it may be possible for companies with clerical staffs of only 75 to 150 to use detailed standards. On the other hand, companies of this size and smaller may well prefer to employ other techniques for improving clerical performance, since the relative savings in the smaller organization might not offset the high costs of developing the standards. Nevertheless, small and medium-sized companies may find some rule-of-thumb standards for common office tasks of some value. Various clerical standards actually in use in industry today are shown in Table 2.

It should be emphasized, however, that though these standards seem to be quite exact, because of varying allowances for fatigue and personal time, they are offered as no more than general guides.

CONCLUSION

The use of clerical work standards has grown considerably in recent years among companies employing large clerical staffs. To what degree other companies will develop and use such standards depends primarily on the following factors:

1. The size and nature of the clerical staff.

2. How far the basic programs of methods analysis and work simplification, job evaluation and analysis, supervisor training, and base compensation analysis have been developed and used.

3. How far new office equipment will obviate the need for large clerical staffs doing manual repetitive work of the type to which standards can best be applied.

Like any other management tool, clerical work standards will be increasingly used by American industry as long as the anticipated savings more than equal the anticipated costs, both real and intangible, of developing them.

How Much Is Absenteeism Costing You?

DO ABSENTEEISM RECORDS in your company compare favorably with those of other firms?

A recent survey conducted by the Research Institute of America among a representative group of companies has disclosed an absentee rate of 2.7 per cent for all employees of participating firms in 1954; for hourly rated employees alone, just under 2.9 per cent. The highest incidence of absenteeism, averaging 3.6 per cent was found to be among female hourly employees; the lowest, averaging 1.6 per cent, among male salaried non-exempt employees (office clerical).

Absentee rates for hourly paid personnel in companies with union contracts were perceptibly higher than those in companies without such contracts. The former reported an average rate of 2.3 per cent for their male employees, 3.8 per cent for female employees; the latter, 1.8 per cent for male employees, 3.3 per cent for female employees.

Two factors may help to explain this. Higher absentee rates prevailed in companies with paid sick leave plans, such as union contracts commonly provide for. And absenteeism was slightly higher in larger firms, where unions are traditionally more common.

Firms with fewer than 500 employees reported average absentee rates ranging from 1.5 per cent to 2.5 per cent; companies with over 500 employees, between 1.9 per cent and 3.7 per cent. Firms located in communities of less than 100,000 population had slightly lower absentee rates than those in large metropolitan areas where companies tended to have larger numbers of employees.

Commercial establishments reported the lowest absentee rates (1.7 per cent), service enterprises the next highest (2.2 per cent), and manufacturing companies the highest (2.5 per cent). Most companies with attendance incentive or bonus plans reported rates noticeably lower than the average for their size and type of business.

Leadership Opportunities for the Financial Executive

THE INCREASING complexities of business management have greatly increased the responsibilities as well as the opportunities of financial management men.

Today, the financial executive can afford to delegate his traditional responsibilities for recording the facts, controlling expenses, and protecting the corporate assets. When free of these responsibilities, he is well advised to direct his efforts into three main channels: servicing the administrative organization, forward planning and policies, and financing sound company growth.

1. *Servicing the administrative organization.* This matter can be considered short-term in nature, covering the day-to-day problems within a cycle of approximately one year. The financial executive of the average-sized company should be able to handle the "management researching" activities of the firm: research or staff work in personnel policies, legal problems, market research and executive assistance.

One important area for administrative service is pricing. In the Harris-Seybold Company, basic changes in the over-all price structure are usually initiated in the sales department and confirmed or modified in the financial department before coming to the president for authorization.

The financial executive should also provide service to other executives in connection with wage policies and over-all union negotiations. By keeping in touch with current developments, by reading, collecting, and presenting data to other negotiators, the financial executive can perform an extremely important service.

No department is better qualified than the financial department to get at the facts necessary for government negotiations, for operation under material, wage, and profit controls, or for price renegotiations. The financial executive should be in a position to provide himself and his company with specialized consulting services when necessary.

Product and market studies form an area for financial men, especially in smaller companies. The economics of whether or not to take on a new product, whether to meet a present competitor or avoid him, what kind of service to render customers—the financial department can be an important influence in arriving at such decisions.

2. *Long-term planning and policies.* The financial executive can increase his leadership in the area of long-term planning and policy determination.

At Harris-Seybold, we operate under a planned pattern. There are four major steps in the program: a five-year guide program, a one-year tangible operating objective, a quarterly budget plan, and monthly controls. We have never yet missed our annual operating objective, either volume-wise or net

profit-wise, by more than about 10 per cent.

Setting objectives involves research. It requires much study, plenty of facts, intelligent interpretation, and a complete, hard-boiled analysis of products, markets, and policies.

In setting up the volume objectives for any industry, growth trends should be carefully scrutinized—both for the industry as a whole and for the company's segment of it.

The make-up of markets and the character of customer needs are almost ideally suited for statistical analysis in the financial department. Does the company depend on one big customer, or is the billing distributed among many customers? Are most customers in a certain industry—insurance, plastics, canned goods, etc.—or dispersed among several industries? Does the company's equipment lend itself to servicing one major account, or to handling broader markets?

3. *Financing growth.* For three basic reasons, it is necessary to have expanded finances available: first, the speed-up in tax payments; second, wage and price inflation; third, growth requirements. Where are we going to get this money?

The number one source, particularly for small and for medium-sized businesses, is retained earnings. Another source, again more applicable to the small business than the large one, is extending payments on purchases. This may prove to be dangerous and unsound. A financial executive who wishes to see his company keep its independence will make sure that it retains freedom to buy where the best product is available at the best price.

Another source of working capital is borrowing. Many large companies are using borrowed capital today more than in the past, because inflation helps repay the borrowing and interest charges are tax deductible.

Many insurance companies are going to be quite interested in making sound loans to companies. Banks are of course always a good source of loan capital.

Equity financing is undoubtedly the safest source of new capital. Though today's tax rates make it more difficult to obtain favorable equity financing, the public is gradually becoming more alert to the value of stock investments.

Factual studies and tangible forward planning are basic keys to modern business leadership. The financial executive is certainly the best qualified in the corporation to wield these keys.

—From an address by GEORGE S. DIVELY, President, Harris-Seybold Company, before a conference of the Printing Executives of America.

How Many Accounts Can Your Salesmen Handle?

ASSUMING HE WORKS an eight-hour day, has two weeks of vacation and observes the major holidays, the average salesman has 1,952 "working hours" to devote to his job of selling every year. The big question is: How does he use them?

A recent McGraw-Hill survey covering 2,500 industrial salesmen, representing a cross-section of 10 fields of industry, indicates that the average salesman spends 12 per cent on reports, paperwork, sales

meetings, and a hundred and one other time-consuming chores. He spends 38 per cent of his time traveling and sitting it out—waiting for interviews. The remaining fifty per cent of his time is spent face to face with customers and prospects. In other words, only 976 of his working hours in the course of a year are devoted to actual selling.

The survey further showed that the industrial salesman handles an average of 488 accounts, and to sell each of these he must see an average of three persons in the plant. Even if he called on these accounts only twice a year, that means he would have just 20 minutes per presentation to sell to each person he has to see!

Some surveys have concluded that the salesman has even less time than this to devote to actual selling work. (The differences in findings undoubtedly can be accounted for by the many variables involved.) For example, an earlier study by *Factory Management and Maintenance* indicated that the average industrial salesman spends 500 hours a year on actual customer contacts. And it was reported some years ago in *Printers' Ink* that salesmen average in the neighborhood of two to three hours per working day in the presence of customers. On the basis of these figures, the estimate of 50 per cent of working time spent in the presence of customers and prospects may seem high, McGraw-Hill concedes. It is thought, however, to be representative of the salesman who "is hitting on all cylinders"—i.e., making maximum use of his working hours.

How Fringe Benefits Are Growing

EMPLOYEE FRINGE BENEFITS have gone up more than 7 cents an hour since 1953 and are now costing manufacturers an average of 38.54 cents a man-hour in the Cleveland area, according to a recent survey conducted by the Associated Industries of Cleveland among 172 companies employing 76,805 hourly workers.

Greatest increase in fringe benefit costs during the past two years occurred in the larger companies employing 1,000 or more hourly workers, the survey showed. Cost of fringe benefits in these companies is now 39.62 cents a man-hour, a 9-cent increase since 1953. Improved insurance, pension, and vacation plans are largely responsible for the increase.

The survey findings are indicative of the fact that no area of management-labor relations has undergone greater change during the past six years than fringe benefits, AIC points out. Since 1949, fringe costs have more than doubled in small and medium-sized companies, and have increased tremendously in larger firms. As a basis of comparison, at 38.54 cents a man-hour the cost of these benefits in the Cleveland area (often considered a representative industrial region) is substantially higher than the minimum hourly wage of 30 cents an hour in 1939.

COST OF CLEANLINESS: In today's commercial building the largest item in maintenance expense is the cleaning operation—which consumes 40 cents out of every maintenance dollar.

—Office Executive

Gauging the Potential of the Over-65 Market

FOR ALL THE TALK of the "old-age market," its size and its wealth, just what can or should marketers do about it?

There can be no doubt that this market will become increasingly important. It already numbers some 14 million people (aged 65 and over)—nearly the size of the total U.S. Negro market. And by 1965 it will number some 17.3 million — almost as much as the estimated total population of Canada in 10 years. The disposable income of this group is now about $20 billion a year, and by 1965 it will be possibly $33 billion.

This disposable income estimate is based only on wages, salaries, and the like, and does not include the increasingly important Social Security payments and the wide variety of other retirement funds, such as those administered by the Railroad Retirement Board, labor unions, and corporations. Pension plans insured by U.S. life insurance companies alone covered some 3,915,000 people, with annual income benefits worth $1½ billion in 1954.

Most of these incomes, like the $33 billion the market will have in 1965, will be disposable; that is, available for spending after the necessities of life are taken care of. Indeed, several industries are already beginning to benefit substantially from old-age income. The housing industry, for one, is feeling the effect in a growing demand for smaller houses in temperate or semi-tropical climates, notably Florida and southern California.

A large proportion of the older market, of course, is not attracted by permanence and prefers to travel, a tendency which is turning into a bonanza for the trailer and travel market. According to the Mobile Homes Manufacturers' Association, retired people accounted for only 5 per cent of the $321 million trailer market in 1953, but in 1954 comprised 10 per cent of a $324 million market. The indications are that the percentage will be even higher in 1956.

When they aren't settling down in small, new houses or roaming around the country in trailers, older Americans are likely to be doing some other kind of traveling. Pan American-Grace Airways made a survey several years ago on its North-South American routes which showed that the average age of its passengers was almost 55. Now Panagra gears its advertising efforts there to the mature market and features women in the 55-60 group. Thomas Cook & Son, Inc., has also found that older people have more time and frequently more money to travel.

Other industries with less costly products, such as food, have taken a careful look at the old-age market for other reasons. People's eating habits change markedly after they reach 40; they need fewer calories and less salt, more protein and minerals. Early last summer one company launched a new line of "senior foods," specifically designed for older people. The potential market for this type of product, unlike that for baby and

junior foods, doesn't turn over completely every two years or so, but only after 15 years or more.

The natural disabilities that come with age help to account for the success of certain drug products. One study indicates that 61.7 per cent of older people regularly use vitamin preparations; 23.8 per cent, pain remedies; and 18.5 per cent, laxatives. About 16 per cent of the average American druggist's sales are made to persons of 60 or more, another survey shows. In some cases, this proportion of annual sales runs as high as 30 per cent.

A fair number of other companies in diverse fields are already taking their first steps towards the older market. A number of department stores, too, now feature special shops for older women.

The market potential is there. But it may take some ingenious product designing and imaginative marketing to tap it effectively.

—*Tide*, November 19, 1955, p. 30:2.

Practical Techniques in Creative Thinking

MORE BLUE-CHIP industrialists are sponsoring creative training programs. The number of companies with such programs has at least doubled in the past few years. Companies that now give special courses in how to think include General Electric, IBM, General Motors, U. S. Rubber, Ethyl Corp.

Idea sessions used to be a special province of inspirational authors. New techniques and more know-how about creativity now make the study of creative thinking more acceptable to sophisticated business men.

Today Massachusetts Institute of Technology, Columbia, the University of California, the University of Buffalo, and many others provide courses in creative thinking.

No one really knows how an idea is formed. But attempts are being made to isolate characteristics associated with creative ability. Professor J. P. Guilford of the University of Southern California points out four factors: (1) problem sensitivity—the ability to recognize a problem; (2) idea fluency—the creative person generally can pile up a large number of alternative solutions to a problem; (3) originality; and (4) flexibility—creative person is willing to consider a wide variety of approaches.

Can a person be trained to be more creative? Professor Guilford says:

"Like most behavior, creativity probably represents to some extent many learned skills. There may be limitations set on these skills by heredity, but I am convinced that through learning one can extend them."

Companies are using two types of programs to obtain more creative thinking on the part of employees. The first is education: teaching people to use their innate ability. These programs usually attempt to: (1) create an awareness of the importance of new ideas; (2) make a person aware of his creative ability, of factors that

favor creative output, and of those that block it; and (3) develop the favorable factors through a series of exercises requiring the use of imagination in problem solving.

The second, or operational, type of program relies on perceptual schemes or conference methods designed to aid idea production. In many companies an operational program is an outgrowth of an earlier educational program.

One operational technique, attribute-listing, was developed by Professor Robert Platt Crawford of the University of Nebraska. It consists in taking an object or problem, listing all its attributes and then changing them one by one in every conceivable way. Naturally, most of the ideas are neither new or particularly good, but some have interesting possibilities. After all, one good idea can be the basis for a new product.

The operational technique that has received most attention is brainstorming, largely developed by Alex F. Osborn. A brainstorming session is a conference in which all evaluation and criticism is suspended. Any idea on the problem is welcomed, no matter how foolish. After all the ideas have been listed they are evaluated—often by a different group or individual.

This suspension of judgment has a sound psychological basis. Too often, people fear to express unusual ideas. By permissive ground rules, a climate is established in which people are willing to express themselves freely. Since all conference time is devoted to idea production, a large number of ideas results. Those taking part are encouraged to combine or improve upon the ideas of others. To be sure, only 5 per cent to 10 per cent of the ideas produced are worth considering. But if an hour-long session results in 100 or more ideas, 5 to 10 may be usable.

Another conference method is the Gordon technique, developed by William J. J. Gordon of the Arthur D. Little Co. There are several major differences between this and brainstorming. The Gordon technique seeks only one answer to the problem. Participants in a brainstorming session, moreover, all know the problem; in a Gordon session only one person—the group leader—knows it. Other participants discuss a general subject that is related to the problem but does not reveal it.

The group (usually between six and nine persons) discusses the general subject in all its aspects. Relying on free association, they follow any avenue their discussion takes unless the group leader feels that they are straying too far. The group leader attempts to apply the discussion to the problem. When he feels he can see a suitable solution, he reveals the problem, and the group continues to work on it by more conventional methods.

Much depends upon the ability of the group leader. But in the two years during which one such group has been in existence it has been responsible for a number of radically new inventions.

Just what can you expect from a creative thinking program? In addition to usable ideas, proponents usually point out several side benefits. Creative training dramatizes to employees the importance of ideas. Also, increased knowledge of the atmosphere in which creativity thrives may lead management to establish such an atmosphere.

Second, the use of such methods as brainstorming often helps to break down barriers to communication between echelons in an organization.

Finally, employee attitudes are often improved through the development of confidence in their own ability to produce new ideas.

—*Printers' Ink*, December 9, 1955, p. 23:3.

The Big Order

COMPANY DIRECTOR: You know Bill Jones at the club—well, we just got a big order from his firm. It just goes to show those informal contacts pay off.

DIRECTOR'S WIFE: Don't forget, dear, I had Mrs. Jones at my last cocktail party, and we got along so well . . .

PRESIDENT: Those contacts I've been making with the boys over at XYZ really paid off today. Did you see the nice order?

SALES MANAGER: Our sales have really been going up since my little shake-up in the district. See the nice order from XYZ?

ADVERTISING MANAGER: You know, that order from XYZ started about a year ago with an inquiry from one of our ads. You never can tell, eh?

PRODUCT MANAGER: Too bad we can't go out on every order and help the district. It sure pays. Look what happened at XYZ.

REGIONAL MANAGER: This sales training is paying off. We just finish a program on "widgets" and look at the order.

DISTRICT REPRESENTATIVE: I finally landed that order at XYZ that I've been after for over a year.

COST ENGINEER: I had an idea about running the order through on that new press. Why, with the costs I gave them I'll bet there was no competition.

THE CUSTOMER: They were darned lucky to get that big order. Know what decided me? Just that the plant's nearby.

—*Sales Management* 12/1/55

How to Report Your Report Troubles

THE SUPERVISOR who feels he has entirely too many reports to make out can usually go to his superior. But can the president of the company complain about the burden of his paperwork? No. Or rather, yes—starting now.

The Budget Bureau knows that many business executives think that entirely too much paperwork is required by the government. So the Bureau is inviting specific complaints, to be addressed to Bureau of the Budget, Executive Office Building, Washington 25, D.C.

The Bureau's purpose is twofold: In addition to keeping the business man reasonably sane, happy, and profit-making, it hopes to simplify and reduce the great number of official forms on which information is supplied to Washington.

—*Manage* (The National Association of Foremen, Dayton, Ohio) 2/56

Is Management a Profession?

ACHIEVEMENT in the executive field is much less spectacular than comparable success in many of the professions —the scientist, for example, who wins the Nobel Prize, the headline name who is elected governor, the skillful politician, the articulate college president. In fact, the more effective an executive is, the more his own identity and personality blend into the background of his organization. Here is a paradox: the abler the man, the less he stands out, the greater his relative anonymity outside his own immediate circle. Perhaps this is also why his importance and his contributions to the national development are so little understood and why they have been so neglected by historians, past and present.

Yet the fact is that the business executive's part in our national development has been as profound—and far more lasting—than the exploits of the warriors and the makers of laws. The accomplishments of the American system are quite as much a triumph of management skill as they are of technical development and financial venture.

The executive's function gained importance as the size of the business unit grew and its activities became more intricate. This has happened very quickly, as history is reckoned. The executive function is very largely a 20th century phenomenon, and very largely an American creation.

We are also, to some extent, a profession without a tradition or a past. We have no patron saint and no oath hallowed by centuries of devotion. Yet the America we know today—its high living standards, its strength, its position as a world power—would have literally been impossible to achieve without the executive function.

In the long run it may be that the way to insure a continuing supply of young men to fill the executive jobs will be to enhance the prestige of an executive career in the profession of management. Prestige comparable to the prestige attached to older and more traditional professions can really only come from within. What the world thinks about us is usually a reflection, in some degree, of what we think about of ourselves.

Could it be that behind the confident exterior of the business executive is an apologetic question mark? Do we in the business world secretly or even subconsciously feel that after all teaching or medicine or pure science is of greater worth or nobility? If so, it is high time that business shed its inferiority complex and took its rightful place in the ranks of the other honored professions.

Business as a profession is coming of age, and its members can stand before the world as practitioners of a difficult and complex art, without which the world would be the poorer. Prestige for this new profession will come as people begin to understand and appreciate the contribution of business to the social, cultural, and the spiritual advancement of America. This is a matter on which our innate

and becoming modesty has thus far counseled us to let our deeds speak for themselves. We need, I am afraid, to do more.

We must take real pride in the accomplishments of the executive. We must share that pride with our associates, our families. We have every reason to be proud. If we are to enlarge the scope and value of our profession and insure its future, we must communicate that pride to all the world.

—Crawford H. Greenewalt (President and Chairman of the Executive Committee, E. I. du Pont de Nemours & Co.). *Advanced Management*, December, 1955, p. 5:3.

How Automation Affects Employment: A Survey

There is new and reassuring information for those who fear that automation—the control of machines by machines—will mean fewer job opportunities. It comes from a recent survey conducted among 1,574 companies in metalworking industries by *American Machinist*.

More than one-fifth of the companies reported that they already have automatic loading, transfer, or assembly machinery in operation. In these companies as a whole there has been a net increase in total employment since this machinery was installed.

Of the companies with actual experience in automation, 26 per cent reported increases in employment averaging 21 per cent; 51 per cent reported no change in total employment; 23 per cent reported decreases in employment averaging 16 per cent.

Of greater significance, however, is the response by 40 per cent of the companies that they required more skilled maintenance men and by 21 per cent of the companies that they had increased their engineering staffs. This indicates that automation is strengthening a trend already evident in the United States, a trend of expanding opportunity for those with industrial and professional skills and, relatively, of contracting opportunity for the unskilled.

Since 1930 there has been a sharp decline in the percentage of unskilled workers in the nation's labor force,

	Per cent of labor force	
Increasing occupations	*1930*	*1955*
Professional	6.1	9.1
Proprietors, managers, and officials	7.5	10.4
Clerks and kindred workers	16.3	19.0
Skilled workers and foremen	12.9	13.7
Semi-skilled workers	16.4	23.2
Decreasing occupations		
Unskilled workers	28.4	18.6
Farmers	12.4	6.0

and a corresponding increase in the percentage of those with varying degrees of skill. The preceding table prepared by the McGraw-Hill Department of Economics shows how strong this trend has been.

The rising average wage of American industrial workers and the decline in hours per week that they must work reflect directly the extent to which the increase in industrial production has outstripped the man-hours devoted to it. Since 1930, average weekly wages have risen from $37 for 42.1 hours to $75 for 40.5 hours.

There are some who would slow the continuing process of taking dull and laborious work off the backs and minds of men and transferring it to machines. In doing so, they might make the world safer for those with no skill. The far more constructive course is to welcome the expanding opportunities now being provided and be sure that the nation's young people are prepared to take advantage of them.

—From an editorial by the McGraw-Hill Publishing Co.

Capital Goods Expansion—Industry Has the Funds

CAPITAL GOODS spending in the next 10 years will approach $443 billion. In 1955 alone, U.S. business and industry spent $32 billion for this purpose. By 1965 spending will have been stepped up to an annual rate of over $48 billion. But where will the money come from?

The Machinery & Allied Products Institute says that 90-95 per cent of it will come from internal funds—a combination of corporate depreciation-amortization and retained earnings. The balance will be financed by external sources: security issues, mortgages, bank loans, and accrued tax liabilities.

This is in sharp contrast to the postwar decades when capital funds from internal sources were well below total capital goods spending. The big difference lies in the funds accounted for by amortization-depreciation. The low level of installations during the war resulted in a low stock of depreciable equipment. In 1947 this source accounted for only 30 per cent of new equipment and plants, and, as late as 1951, only 42 per cent.

A plateau, reflecting the return of economic stability, is expected for the 1955-65 period, with amortization-depreciation paying for about 65-70 per cent of capital expansion. A slight dip is foreseen by MAPI in 1962, when amortization for tax purposes will expire for a large segment of capital goods.

With all but about $10 billion annually coming from amortization-depreciation, the strain is definitely off retained earnings as a source of capital goods expansion financing. In 1955, $7.5 billion was assigned to capital investment from retained corporate earnings. MAPI expects that funds available from this source will increase to $10 billion in 1965.

Prospects for the remaining 5 to 10 per cent needed from external sources are excellent, according to MAPI. Therefore, barring any unusual depression or inflationary period, the outlook for capital goods expansion in the next decade is excellent. Tremendous cash outlays will be required, but the funds will be available.

—*The Iron Age* 12/8/55

Solving Integration Problems in Mergers

THE PRESENT WAVE of mergers, at the rate of two or more per day, is due in large measure to actual economic needs of the merging companies. In a great many cases, corporations are turning to the merger as a means of survival in a competitive economy. Although most of the widely publicized mergers involve companies with assets of several million dollars or more, thousands of smaller companies are finding it advantageous, or necessary, to merge. A recent study completed by the Federal Trade Commission shows that mergers occur for the following reasons:

Reason	*Frequency*
"Additional capacity to supply a market already supplied by the acquiring company	2 out of 5
"Lengthened product lines	1 out of 4
"Product diversification	1 out of 4
"Facilities to produce goods the acquiring firm had formerly purchased	1 out of 8
"Facilities to process or distribute goods the acquiring firm formerly sold	1 out of 10
"Facilities in markets not previously served, but of the same type already owned by the acquiring firm	1 out of 10
"Miscellaneous other advantages, such as an empty plant, patent rights, good will or name, or acquiring a valuable 'corporate shell'"	1 out of 10

In any merger, one of the first top-level policy decisions needed is to establish the degree of decentralized control that will yield the most effective operating results. Some major factors to be weighed in arriving at such a decision are geographical location of plants, whether products are similar or entirely different, the type of manufacturing processes, the nature of the sales market, and distribution problems.

In practice, decentralization is established function by function. For example, plants in separate locations will usually have to be operated on a decentralized basis as far as manufacturing and accounting are concerned. Sales might be handled by a central sales organization if the merged product fits into the current product line. However, sales might also have to be decentralized on a plant or area basis if products, services, or distribution problems are different and unique.

Since decentralized functions have counterpart functions located elsewhere, a high degree of coordination and communications is necessary for the direction of over-all corporate efforts, and to avoid expensive duplication. In the case of a large company acquiring a relatively small operation, it may be practical for the parent staff to assume the additional duties of controlling and coordinating counterpart functions in the new acquisition. In the case of larger or more diversified operations, a centralized home office may have to be set up with its specialized staff in sales, manufacturing, accounting, in order to establish, coordinate, and control the administration of corporate policy on the local plant level.

The development of the decentralization concept can only be made an actuality through the building of an integrated reporting system. Control, coordination, and communication are based upon adequate management reporting. Immediate consideration must

therefore be given to the question of what information is needed locally and centrally for each level or echelon. The entire reporting system must be set up for quick analysis based upon the "management by exception" principle, so that immediate action can be taken at each echelon.

A summary of the thinking and know-how of several companies who have enlarged their scope of operations through mergers resolves itself into the following steps:

1. Realization that decentralization is a "must," setting up self-autonomous, local operating units, which for practical purposes are treated as separate profit centers.
2. Local reorganization (organization planning on the local level) to make decentralized operating control possible).
3. The selection and development of a competent local management team.
4. Centralized control by corporate top management, which furnishes overall policy planning and direction, guides operations, and evaluates results.

Notice that top management shows up as the last step in this progression, although in effect it comes first in controlling the entire organization.

Organization planning is a "must" if the newly merged entity is to function as a unit. It means planning methods of operation, grouping corporate functions for administrative purposes, and showing how these functions are related to each other. It is good planning to make the organization structure flexible enough to permit the addition of future acquisitions without needless rearrangement and shuffling.

Integration in practice means that two or more companies formerly run on different management concepts must now operate as one organization. It means taking care to avoid friction and personal animosities, and allaying the natural suspicions that comparable echelons have towards each other. The biggest job in any merger is that of merging people.

The exchange of visits by liaison teams from various management and supervisory levels, and the posting of bulletins to communicate to the worker what is happening, are useful morale builders.

A problem of vital interest to all employees involves the new program of employee benefits, personnel policies, and the wage and salary structure. A joint committee from both companies should be assigned to study and equate employee benefits and to report on a uniform, consistent personnel program. In many cases, it may be wise to specify employee-benefit policy at the time of merging.

—Leslie M. Slote. *Management Methods*, August, 1955, p. 11:4.

Wage Increases Pick Up Momentum

PAY INCREASES negotiated by unions in 1955 exceeded those of 1954 by almost 30 per cent, on the average, according to the Bureau of National Affairs, Inc. On the basis of an analysis of almost 5,000 wage settlements reached during 1955, BNA reports that the median increase rose from just over 6 cents an hour in 1954 to almost 8 cents in 1955.

There was a marked trend to larger settlements as the year progressed.

The median increase jumped from 6.7 cents an hour in the first half of 1955 to 8.6 cents in the second half.

The most significant development in wage bargaining during the year, according to BNA, was the accelerated increase in the proportion of labor contracts incorporating provisions for automatic wage increases in future years. Such deferred increases were negotiated in 14 per cent of the settlements—a threefold increase over 1954.

Accompanying the increased size of direct pay increases was a marked rise in the frequency and cost of fringe benefits. New or improved pension plans included in union contract negotiations showed a 50 per cent increase over the number reached in 1954; health and welfare provisions were about as frequent as in 1954. The recent supplementary unemployment benefit plans appeared as a new fringe benefit. While only about 2 per cent of 1955's contracts incorporated this innovation—usually costing about 5 cents per hour—employee coverage here grew during the year to over 1 million workers.

Income Security—A Fund for Every Worker

THE "INDIVIDUAL EMPLOYEE income security and savings" plan, embodied in recently negotiated contracts between the CIO United Glass and Ceramics Workers of North America and leading glass manufacturers, differs from the automotive industry's supplementary unemployment benefit program in giving each worker a fund that is his own property. The worker can draw upon his fund in times of layoff or sickness; take all of it—with interest—when he leaves his job. At his death, the money goes to his survivors.

The income security plan is independent of state unemployment compensation and therefore will not run up against legislative complications. If the laid-off worker uses the fund to stay out of work longer than necessary, he will be using money he otherwise could keep.

The National Association of Manufacturers, which supports the glass industry's program in principle, offers the following suggestions for companies wishing to provide income protection to employees:

The plan should not undermine the incentive to seek new work.

It should not interfere with or nullify public policy as expressed in state unemployment compensation laws.

It should be built around individual accounts; should make saving easy; should provide for interest on funds accumulated.

It should provide incentive to leave money intact for use in emergency.

It should not discourage hiring or expansion and growth of business.

The plan should not be subject to arbitrary union control; it should be fair to all employees.

Money accumulated to the credit of an individual should be his property, subject to necessary safeguards during his employment.

—*Industrial Relations News* 11/26/55

POSTING THE SCORE: A record 90 per cent of the companies listed on the New York Stock Exchange are now issuing quarterly earnings reports. Of 1,099 companies listed on the Exchange last November 15th, 987 issued quarterly reports.

—*Commerce* 1/56

For the Specialist . . .

The Broker's Role in the Insurance Management Function

TODAY'S CORPORATE insurance manager is the administrator of a complicated program. The program embodies the insurance solutions of conditions which arise from corporate policy, the existence of property and property rights, and corporate operations. The insurance manager is more than a buyer of insurance. He must develop his own information after consideration of the activities of the corporation as a whole and gather for analysis all of the data which have any bearing on the subject of insurance.

A corporate insurance department may act largely on an advisory basis, limiting its operations to: (1) research in problems having an insurable implication; (2) means of abating exposure to risk; (3) devising insurance protection for specific needs; (4) processing certain types of losses; and (5) making reports to management and brokers so that the requirements of each may be satisfied.

Such a department, which does not duplicate the services which are obtainable by custom from brokers or insurance companies, operates best when it follows the principle of assimilation of the broker.

Many managers are not aware of the benefit to be gained from assimilation, either because their departments are so abundantly staffed or because they have not analyzed the services which are available to them.

It will readily be understood why the insurance manager is the coordinator of internal communications, while the broker assumes a similar position with rating bureaus, insurance commissioners and companies. To illustrate the breadth of service which may be extended by the broker, let us consider a hypothetical case:

A manufacturer finds his insurance cost is increasing at an alarming rate. The increases are most noticeable in workmen's compensation, public liability, parcel post, and ocean cargo. A preliminary report is made by the insurance manager, using data found in his files, to pinpoint the causes. These data show that in the past four years:

- Workmen's compensation case incidence has increased.
- Workmen's compensation incurred losses have increased.
- Payroll has increased.
- Workmen's compensation benefits have increased in varying percentages.
- Man-hours worked have increased.
- Liability, bodily injury, and property damage cases have increased in number.
- Liability incurred losses have increased.
- Owned, hired, and non-owned vehicles have increased in number.
- Sales, both domestic and foreign, have increased.
- Ocean cargo incurred losses have increased.
- Parcel post incurred losses have increased.

So far, we have a collection of facts, some related, some unrelated.

The broker now takes over the expansion of the report. He will make up charts which show the increase in case incidence, plant by plant. Every case will be checked to make sure it belongs to his client and not another employer. He will review the paid and reserved workmen's compensation losses to see that they reflect the amounts recorded in the individual claim files. The outstanding reserves will be evaluated in the light of paid indemnity and the age of the claim.

This portion of the report permits management to learn the source and extent of the increased workmen's-compensation losses. The danger spots will be subjected to close scrutiny by safety representatives of management and the broker. The causes of loss will be found and recommendations will be made toward their correction.

The study now proceeds to the manufacturer's public liability experience, thence to the ocean cargo losses, and finally to the parcel post experience. Each of these insurance coverages has required a loss analysis; since the source of the analysis is the insurance company, the responsibility is that of the broker.

There are numerous other fields in which the broker should become more closely associated with his client. A good case in point is fire insurance engineering.

Brokers often fail to realize that their clients are entirely content to pay premiums, but don't want losses. No matter how fairly the insurance company handles the claim, there is an element of loss which is uncollectible. It arises from the confusion attending any casualty. It is made up of short tempers, frayed nerves, tricky memories, the almost inexcusable human errors which create operational havoc.

The broker, of course, cannot achieve such preperception as to eliminate fire losses. But he can make the most of his experience by conferring with his client's architects. He observes the construction methods. He counsels against combustibles where non-combustibles are available. It is even possible that he may recommend construction plan changes which will save money.

All this is not to suggest that a broker should spend his entire time making reports, surveys, analyses, and safety studies. The contrary is true. The broker need merely change some of his methods to develop tools rather than toys. If he is doing a proper job, he must learn all of the facts we need to know. How else can he negotiate our insurance contracts? The change in methods progresses from a more orderly and objective thinking. Efficiency breeds lower cost and higher profit for the broker.

The better broker is one of the best investments we can make. From him we get intelligent advice, broad experience, and the facilities it would be improvident for us to acquire in our own organization.

—From an address by R. B. GALLAGHER before the Society of Chartered Property and Casualty Underwriters.

EVERY MAN is a fool for at least five minutes a day. Wisdom consists in not exceeding the time limit.

—Call Workman

Scientific Research in Industry: A Survey

SCIENTIFIC research and development have achieved an unprecedented and ever-growing national importance. Both the current defense program and the continued expansion of the national economy depend heavily upon scientific discoveries and their industrial applications.

A survey of research and development in private industry was conducted for the National Science Foundation by the U.S. Labor Department's Bureau of Labor Statistics. In late 1954 and 1955, questionnaires were sent to approximately 11,600 companies, broadly representative of American industry. Following are some of the major findings, as presented in a preliminary report:*

Research and development performed by private industry cost an estimated $3.7 billion in 1953—approximately two-thirds of the total research and development expenditures of all organizations. Over one-third of the research and development work of private industry was done by contract for the Federal Government.

More than 15,000 companies contributed; of these about 13,000, or 85 per cent, had less than 500 employees. But this large group of small companies did only about one-tenth of all industrial research and development, whereas the 375 largest companies (with 5,000 or more employees) did about 70 per cent. Eighty-five per cent of the research and development cost was accounted for by the 9 per cent of the companies having 1,000 or more employees.

On the other hand, many more small companies conduct research and development than was suggested by any previous study. About 9,500 firms with less than 100 employees, and nearly 4,000 others with 100 to 499 employees, were engaged in research and development work during 1953. The numbers were greatest in the machinery, fabricated metal products, and chemical industries.

These data do not include enterprises having less than eight employees, individuals working alone, scientific and engineering consulting firms, commercial laboratories, or trade associations.

The spending for industrial research and development shown here far exceeds costs seen in earlier studies; it compares, for example, with not quite $2 billion reported in 1951. Though this indicates marked expansion, it is based in part on the greater inclusiveness of the present survey.

Two industries, electrical equipment and aircraft and parts, far exceeded all others. In electrical equipment, research and development expenditures totaled about $778 million, slightly more than one-fifth of the total for all industries. The cost for aircraft was nearly as large. Next in

* *Science and Engineering in American Industry: Preliminary Report on a Survey of Research and Development Costs and Personnel in 1953-54.* National Science Foundation, 1955. Available for 30 cents from Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.

magnitude of expenditures were the motor vehicle, chemical, machinery, professional and scientific instruments, petroleum, telecommunications, and fabricated metal products industries. Together, these first nine industry groups accounted for nine-tenths of research and development spending.

One objective of the survey was to obtain information on the amount of basic research done by industrial concerns. Basic or fundamental research was defined as: projects which are not identified with specific product or process applications, but rather have the primary objective of adding to the over-all scientific knowledge of the firm. This concept of basic research is characteristic of private industry, though considerably broader than that customary in academic circles.

For private industry as a whole, the cost of basic research in 1953 was estimated at slightly under $150 million, or only 4 per cent of the estimated total research and development cost.

The chemical industry far exceeded all others in extent of basic research. Its cost of $38 million represented 25 per cent of the total for all industries. Second and third were the electrical equipment and aircraft industries. Others conducting large basic research programs were the professional and scientific instrument, machinery, and petroleum industries.

Companies also supplied information on the distribution of basic research cost among scientific fields. Research in chemistry accounted for nearly two-fifths of the total, research in engineering sciences for about one-third.

Private industry is by far the largest field of employment for the nation's scientists and engineers. About 554,000 scientists and engineers were employed in the surveyed industries in January, 1954. More than 100,000 were physical and life scientists and well over 400,000 were engineers—much larger numbers than are to be found in all other fields of employment taken together. Of these specialists about 157,000—nearly three out of every ten in the surveyed industries—were engaged in full-time research and development work in January, 1954.

The 105,000 engineers in research and development represented one-fourth of the estimated total number in all types of industrial activities. Among chemists, 45 per cent of those in industry, or 27,000, were employed in research and development. Of the smaller scientific professions, those with the highest proportion in research and development—more than 60 per cent—were the physicists and biological scientists. The proportion was lowest—7 per cent—among geologists, geophysicists, and other earth scientists.

About four-fifths of the engineers engaged in industrial research and development were employed by the metalworking industries. The aircraft and electrical equipment industries, with their huge programs, together employed more than two-fifths of all engineers in this type of work.

When industries were ranked according to the proportion of engineering staff assigned to research and development activities, aircraft and electrical equipment led again. About 55 and 48 per cent, respectively, of their engineers were engaged in research and development work.

Also Recommended...

• Brief Summaries of Other Timely Articles •

GENERAL

REPERCUSSIONS OF THE FORD AGREEMENT. By Edward D. Wickersham. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), January-February, 1956. $2.00. The UAW-Ford SUB settlement has opened a new frontier in labor-management relations, asserts the author, but there is still a vast undergrowth of tangled problems to be cleared away. After explaining its mechanics in detail, he attempts to forecast the likely role GAW will play in other industries, and its influence on state unemployment compensation levels, technological progress, industrial decentralization, employment stability, and even the business cycle.

THE COMPANY MAN IN WASHINGTON. By Jerome Shoenfeld. *Sales Management* (386 Fourth Avenue, New York 16, N.Y.), January 15, 1956. 50 cents. Many companies now have their fact-finding embassies in Washington. The author describes the functioning of this new type of semi-diplomatic observer—who may be anything from a reporter to a major executive—and explains why he is needed to keep the company fully posted on all relevant government actions and policies.

WHY BUSINESSES FAIL. By Sidney C. Sufrin and Alfred W. Swinyard. *Challenge* (475 Fifth Avenue, New York 17, N. Y.), January, 1956. 20 cents. Examining and interpreting business failure statistics for the five major segments of industry and trade, the authors conclude that inadequate planning, ignorance of markets and sales techniques, and increased competition are the basic causes. They also consider the reasons for the marked increase of such failures in periods of prosperity.

TRENDS IN DECENTRALIZATION. By Robert C. Trundle. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), December, 1955. 35 cents. How much autonomy can effectively be allowed divisions and branch plants in a decentralized corporation? In this entertainingly written but basically serious examination of the problem, the author suggests that divisional management should be allowed to develop —and keep—its own well-rounded team responsible for the day-to-day operations and routine policy decisions. But top management at the central office must make the major determinations and provide the creative thinking and coordination necessary for the company's success, he is convinced.

GENERAL ELECTRIC'S APPROACH FOR MANAGER DEVELOPMENT. By H. H. Race. *Personnel Administration* (5506 Connecticut Avenue, N.W., Washington 15, D.C.), November, 1955. $1.00. Management is today a profession whose principles "can be increasingly discovered, stated, verified, and taught," the author says. He describes the four chief components of the General Electric management education program: individual reading and study plans, local professional courses, outside courses and activities, and finally the 13-week advanced courses at General Electric's new Management Research and Development Institute at Crotonville, New York.

BUILDING THE MANAGEMENT TEAM. By Wilbert E. Scheer. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), December, 1955. 35 cents. Electronic data computers in the office, automation in the factory—but what new methods are we using to assure the continuing development of the skilled manager? Reviewing some of the current practices in managerial training and education, the author tells why he favors programs planned and conducted largely by management trainees themselves, under the guidance of an experienced training counselor, as the most effective technique.

INDUSTRIAL RELATIONS

STIMULATING EMPLOYEES TO SELF-IMPROVEMENT. By Robert B. Ross. *American Business* (4660 Ravenswood Avenue, Chicago 40, Ill.), January, 1956. 35 cents. A broad consideration of various kinds of voluntary training programs for employees, ranging from in-plant discussion groups to outside courses, with special emphasis on the problem of motivating employees to self-improvement. Training produces better results, he believes, when the individual's personal goals, as well as the company's needs, have determined the choice of a course or program.

CHANGING PATTERNS IN COLLECTIVE BARGAINING. By M. Herbert Syme. *Labor Law Journal* (214 North Michigan Avenue, Chicago 1, Ill.), January, 1956. $1.00. Collective bargaining is a dynamic and continuous process, "at once a business compact, a code of relations, and a treaty of peace," states the author. He traces its development along with the growth of organized labor, and examines the decisive influence of federal legislation and judicial rulings. The widening scope of collective bargaining, he concludes, is a significant index of the vitality of our free enterprise system.

GOOD PERSONNEL DIRECTION MEANS FORCEFUL SELLING. By Jules M. Graubard. *Office Management* (212 Fifth Avenue, New York 10, N.Y.), January, 1956. $1.00. An evaluation of the personnel manager's function and his relationships with management. The author suggests that such administrators are most efficient when they themselves have clearly defined the nature and operation of their authority, and have convinced management of their competence in exercising it. Various criticisms of personnel methods and objectives here are examined.

THE "GUARANTEED ANNUAL WAGE": 1955 MODEL. By A. L. Gitlow. *Personnel Journal* (P.O. Box 239, Swarthmore, Penna.), December, 1955. 75 cents. A review of the various supplementary unemployment compensation plans negotiated last year. Examining the limitations of company commitment in all the plans regarding seniority requirements, the trust fund position, duration of payments, etc., the author also considers the initial problems of the tax status of fund payments, their relation to state jobless benefit programs, and the contribution rate for overtime hours.

HOW THE PRESIDENT IS WINNING THE WAR ON DISCRIMINATION. By Alan E. Adams. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N.Y.), January, 1956. 50 cents. The President's Committee on Contracts is relying on the inevitability of gradualness rather than governmental compulsion to eliminate discriminatory employment practices—a tactic the author reports is increasingly successful. Opposition to integration on the job is more likely to come from community pressures or the union than industry leaders, he notes, suggesting some practical ways business men can combat bias and educate public opinion.

HOW TO SPELL OUT YOUR DISCIPLINE RULES. By Lawrence Stessin. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), January, 1956. 50 cents. A good deal of misunderstanding and labor trouble may be avoided, the author points out, if the company publicizes its discipline policy by detailed written rules—especially when there is a union contract. The article presents a series of questions to help management review its objectives and needs in the area, and a checklist to aid supervisors in executing the policy. A two-page chart itemizes 40 typical discipline rules and corresponding penalties.

DILEMMA IN HUMAN RELATIONS. By Abram T. Collier. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), September-October, 1955. $2.50. Workers are evidently more productive under "democratic" leadership; yet democratic decision-making cannot be the rule in a successful business enterprise. The author suggests that this apparent paradox stems from the implicit conflict of two contrasting points of view: (1) the internal, which emphasizes individual freedom of choice; and (2) the external, which stresses causes of action outside the individual's control. A way out of the dilemma, he intimates, is to develop a "kind of 'relativity theory'" which accepts both assumptions.

OFFICE MANAGEMENT

CLERICAL WORK MEASUREMENT? By Henry Gunders. *The Journal of Accountancy* (270 Madison Avenue, New York 16, N. Y.), February, 1956. 75 cents. A thoroughgoing program of clerical work measurement, besides cutting clerical costs and increasing efficiency, will help both the office manager in organizing his workforce and management in judging departmental performance, the author believes. This article reviews the various methods of evaluating clerical performance and considers the size and type of operation to which each is best suited.

FORM CONTROL GIVES COST CONTROL. By Frank M. Knox. *Office Management* (212 Fifth Avenue, New York 10, N. Y), January, 1956. $1.00. A brief review of the mechanics of instituting forms control. The author discusses the use of the functional index as a guide to the quality and use of forms, the main areas of forms concentration and duplication, and their adaptability of forms to work simplification programs or varying degrees of automation.

"OFFICE OF THE YEAR" AWARDS. *Office Management* (212 Fifth Avenue, New York 10, N. Y.), January, 1956. $1.00. This annual feature presents in text and pictures the six new offices selected for *Office Management*'s 1955 awards. The awards are made in two categories: offices designed for more than 500 employees, and those designed for a smaller number. One interesting, money-saving idea represented here is the designing of an office building on the basis of a detailed office layout plan prepared for the architect's guidance.

BEST AREAS FOR METHODS IMPROVEMENT. *The Office* (232 Madison Avenue, New York 16, N. Y.), January, 1956. 35 cents. This article describes various methods used by office executives in more than 20 companies of all sizes for cutting clerical costs to help their companies meet growing competiton. Problem phases of records management, form control, work flow, and employee performance are among those discussed, together with some suggested solutions.

PRODUCTION MANAGEMENT

MATERIAL MANAGEMENT—NEW HORIZON FOR PURCHASING. *Purchasing* (205 East 42 Street, New York 17, N.Y.), January, 1956. $1.00. A good way to coordinate the purchasing function with the operations of the sales, production, and engineering departments is by means of planned interdepartmental meetings to increase efficiency and cut costs, Sperry Gyroscope Co. found. An outline of Sperry's course in material management is presented as an example for other firms interested in training personnel in "scientific buying."

NOW YOU CAN *REALLY* MEASURE MAINTENANCE PERFORMANCE. By W. S. Luck. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N.Y.), January, 1956. 50 cents. Yardsticks used to evaluate maintenance are seldom of much use in revealing current weaknesses or setting new performance goals, according to this author. Du Pont, however, has found a solution in a comprehensive system of graphic measurement applicable to almost any firm. This article illustrates the charts used, tells how they are applied, and explains how the four basic factors of maintenance—planning, work load, cost, and productivity—are diagrammed and projected to provide the necessary data.

HOW TO RUN A MAINTENANCE DEPARTMENT. By F. T. Jelinek. *Mill & Factory* (205 East 42 Street, New York 17, N. Y.), January, 1956. 50 cents. Reports the experience of a medium-size manufacturing company, the Skil Corp. (Chicago, Ill.), in systematizing its maintenance program to eliminate costly production losses. A handy chart detailing the over-all maintenance organization and sample equipment record cards illustrate the program's operations.

ECONOMIC ORDER QUANTITY—KEY TO LOWER COSTS. *Purchasing* (205 East 42 Street, New York 17, N.Y.), January, 1956. $1.00. Scientifically planned purchasing can help reduce material costs and eliminate excessive inventories. This article presents some mathematical tools for determining the optimal size of purchase orders and inventories to be maintained. The accompanying charts are designed for applicability in many firms, when adjustments to their individual price and order structures have been made.

MOBILIZATION READINESS AND PEACETIME ECONOMY. By Commander M. J. Barkdull Kahao. *Armed Forces Management* (202 South Second Street, Rockford, Ill.), November, 1955. The author describes the Navy's complex supply system and gives a detailed analysis of the purchasing, distribution, and inventory control system used by the Yards and Docks Supply Office. Purchasing executives may be interested in the differences between the Navy's concepts of adequate inventory and supplier availability and those prevailing in industry, as well as the military considerations involved.

MARKETING AND SALES MANAGEMENT

TODAY'S MARKETING EXECUTIVE. *Tide* (2160 Patterson Street, Cincinnati 22, Ohio), January 14, 1956. 50 cents. A composite portrait drawn by *Tide*'s editors from a continuing survey of leaders in the field. It reveals their convictions on many problems, ranging from their belief that all marketing functions for a given product should be coordinated under one man to their views on advertising agencies, media selling, discount houses, and motivational research.

FULL STEAM AHEAD! *Modern Packaging* (575 Madison Avenue, New York 22, N.Y.), January, 1956. 75 cents. All-out merchandising is a vital adjunct to ever-increasing production, says the author, and improved packaging is the key to greater sales. The technical advances of the past year, especially the use of plastics like polyethylene and vinyl for packaging both consumer goods and industrial products, are considered here, and their many new applications are detailed. The author also describes developments in traditional packaging to meet the challenge of the new materials.

WHEN A WOMAN SHOPS, WHAT'S ON HER MIND? *Printers' Ink* (205 East 42 Street, New York 17, N.Y.), January 20, 1956. 25 cents. A description of a novel research study conducted by the Philadelphia consulting firm of Alderson and Sessions to identify the patterns in women's shopping behavior by examining the reactions of a representative shoppers' panel of 61 housewives, as revealed in controlled experimental tests, actual shopping situations and home interviews. Their findings, presented here, emphasize the importance of the retail store's "personality" and the relatively minor influence of advertising on the shopper's conscious behavior.

TV MEETINGS MEAN TIMETABLE VIGIL. By Jack Rothstein. *Sales Meetings* (386 Fourth Avenue, New York 16, N.Y.), January 1, 1956. 60 cents. Closed-circuit TV can be a highly successful promotional and marketing tool, but careful planning is essential, the author reports. Stressing the complex mechanics of such telecasts, this article tells how the Wyeth Laboratories handled the problems involved in presenting the story of a new drug to a select nation-wide audience of physicians.

GROWTH OF ADVERTISING AGENCIES SERVICES. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), January 27, 1956. 25 cents. Advertisers are demanding and getting a constantly increasing volume and variety of valuable extra services from their agencies. This issue, devoted to a group of 16 articles written by advertising executives, emphasizes the expanding role assumed by the agencies in all phases of marketing, and suggests that in future agency-client relations will tend increasingly to take on a "business partnership" character.

FINANCIAL MANAGEMENT

PROFIT PLANNING UNDER AUTOMATION. By John H. Rittenhouse. *The Controller* (2 Park Avenue, New York 12, N. Y.), January, 1956. 60 cents. How much automation is desirable in a given company should be determined, says the author, primarily by the maximum profits to be expected for a determined period of time. Charts accompanying the test illustrate the influence automation may have on cost patterns, the break-even point, and total profits, based on minimum and maximum levels of production.

WAGE GUARANTEES AND ANNUAL EARNINGS. By E. J. McCarthy. *The Journal of Business* (5750 Ellis Avenue, Chicago 37, Ill.), January, 1956. $1.75. When labor looks to the GAW, the author believes it may have in mind something more than stabilizing job security: namely, increasing its earning power. Examining the Hormel case history, he suggests that this may be unsound, since Hormel's above-average wage structure appears attributable not to any real increased productivity or stabilized employment pattern, but rather to a management policy made possible by profits accruing from the commanding sales position of certain of its products.

A STAIRWAY TO BUDGETARY CONTROL. By M. K. Evans. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N.Y.), December, 1955. Section 1. 75 cents. A nine-step plan is presented for designing and installing a system of budgetary control, or for revising an existing system. Failures of such installations, the author suggests, usually result from the omission of one or more necessary procedures.

AUTOMOTIVE VEHICLES . . . BUY OR LEASE? By Eugene S. Page. *Purchasing* (205 East 42 Street, New York 17, N.Y.), December, 1955. $1.00. A comprehensive review of the many considerations that should enter into a lease-or-buy decision, including cost, quality, service and maintenance problems, and depreciation and financing. Also analyzed here are several standard-type leases.

INSURANCE MANAGEMENT

PROFITS AND COMMISSIONS INSURANCE. By Joseph A. Dann. *The Casualty & Surety Journal* (60 John Street, New York 38, N.Y.), January, 1956. 25 cents. This form of coverage, designed to supplement business interruption insurance, protects profits and commissions on goods already produced when a loss occurs. In this informative article, written primarily for the insurance broker, the author illustrates the functioning of such insurance in typical businesses and analyzes and compares the two types of coverage available.

BUYING INSURANCE FOR YOUR OVERSEAS RISKS. By Leonard H. Collier. *The National Insurance Buyer* (American Society of Insurance Management, Hotel Martinique, Broadway and 32 Street, New York 1, N. Y.). December, 1955. 50 cents. Private U. S. investment abroad has mounted to $26.5 billion, the author points out, much of it owned by companies establishing overseas branches for the first time. He surveys the markets—U.S., London, and "local"—in which insurance for these new risks may be bought, and argues strongly for use of American insurers.

CRIME INSURANCE RECEIVING MORE ATTENTION. By F. M. Butler. *The Weekly Underwriter* (116 John Street, New York 38, N. Y.), December 31, 1955. 25 cents. American industry lost over $1 billion through crime in 1954; of this only $50 million was covered by insurance, the author reports. He describes the major crime risks in a business, both from employees and outsiders, and outlines an adequate insurance program, emphasizing that "the most expensive kind of insurance is where you have a policy but pay most of the loss yourself."

Survey of Books for Executives

HOW TO INCREASE OFFICE PRODUCTIVITY. By Earl P. Strong. Trico Service Co., 1337 South Garner Street, State College, Penna., 1955. 139 pages. $2.75.

By Richard R. Conarroe

It would be a mistake to judge this book by its cover—or by its size. Dr. Strong's slim, plastic-bound, leatherette-covered volume—small enough to read in a day or two on the commuter—may present an unusual first impression. It has none of the weight and dignity we have learned to associate with professorial dissertations on office productivity: no scholarly theories, no complex equations, no elaborate diagrams. And certainly it contains nothing new or startling. But the office management practitioner who withholds his judgment until he has read the book through will find his time has been profitably spent.

Dr. Strong's book is based on the conviction that "many good ideas are conceived, but too few are put into action." He makes no attempt to foster new ideas; instead, he concerns himself solely with six proven techniques for increasing office productivity, explaining how they can be put to use. With logic and simplicity, the author weaves these techniques into a formula that, if properly applied, is certain to produce results in 99 out of 100 offices (the hundredth being the office where it has already been applied in its entirety). The formula is such that it will work in small offices as well as large.

How to Increase Office Productivity opens with a quick chapter setting forth the author's six-step program: make job analyses, set performance standards, improve methods and procedures, train workers, apply incentives, improve supervision. Then each step is covered in a separate "how to do it" chapter.

Although some sections of the book verge on the obvious, others are well packed with fact. A section on testing contains a descriptive list of prominent tests for employees and job applicants currently available. The book's value is increased by some useful checklists (e.g., on forms analysis and typical techniques of supervision and management).

Dr. Strong is Professor of Management and Director of the Bureau of Business Research at Pennsylvania State University. His background includes extensive research in the improvement of typewriting skill among office workers. For this reason, and because typing skill is a major determining factor in office productivity level, he has devoted heavy emphasis to this topic. The book's appendix contains a series of actual speed drills for typists.

A wide range of office managers will find this book valuable. For the experienced manager, to whom flow process charts and decimal-pointed

NOTE: Books on personnel administration and labor relations are regularly reviewed in the Association's bi-monthly, PERSONNEL.

efficiency ratings are no longer frightening, it offers a refreshing reminder that there are other ways to go about getting more and better work at less cost. For the "by guess and by gosh" manager, who has been making scattered efforts toward increasing office productivity, the book presents a painless program for formalizing his attack. For the new and inexperienced man in the field, it provides a solid stepping-stone to better office productivity, and a foundation on which to base his future development in the techniques of scientific office management. Many managers will find this volume excellent as a reading assignment for supervisors.

Dr. Strong has made a successful effort to keep his book uncomplicated and easy to read. He has not attempted an all-encompassing treatise: time and motion study and flow charts are given only passing reference, and the book sidesteps completely such topics as the use of modern mechanization and electronics as a means of increasing efficiency.

The book is marred by less than perfect typography and the fact that some sections have not been carefully integrated. A degree of repetition among chapters will be annoying when the book is first read through, but this repetition will be found helpful later when the book is used as a desk manual and when certain individual sections are referred to for guidance.

Briefer Book Notes

[Please order books directly from publishers]

GENERAL

MEASURING BUSINESS CHANGES: ***A Handbook of Significant Business Indicators.*** By Richard M. Snyder. John Wiley & Sons, Inc., New York, 1955. 382 pages. $7.95. Over 50 of the key indicators for interpreting and forecasting business conditions are described and explained in this comprehensive handbook. The basic measures of change are covered under nine main heads: national income and product, population, labor, commodity prices, production and business activity, construction activity and costs, trade, financial activity, and stock prices.

THE CHALLENGE OF AUTOMATION. Public Affairs Press, Washington, D. C. 1955. 77 pages. $2.50. The proceedings of the National Conference on Automation held in April, 1955, under the auspices of the Committee on Economic Policy of the CIO. Included are papers on the applications and uses of automation, its technological considerations, and its significance to industry, as well as a round table discussion on the labor point of view.

HOW TO WIN THE CONFERENCE. By William D. Ellis and Frank Siedel. Prentice-Hall, Inc., Englewood Cliffs, N. J. 1955. 214 pages. $3.95. In negotiating a conference, it is essential to recognize that it is a contest, the authors assert. In this lively guide to the art of winning it, they offer practical suggestions on such topics as how to start the argument, how to keep a conference from becoming a hassle, how to use uncommon sense in the internal meeting, how to concede a point, and how to handle some autocrats of the conference table.

NEW HORIZONS IN BUSINESS. Edited by Julius Hirsch. Harper & Brothers, New York, 1955. 134 pages. $3.00. In this collection of lectures, originally delivered under the auspices of the Business Administration Center of The New School for Social Research, seven authorities in the fields of business, finance, and economic research forecast America's economic future over the next two decades.

INCOME OF THE AMERICAN PEOPLE. By Herman P. Miller. John Wiley & Sons, Inc., New York, 1955. 206 pages. $5.50. This monograph, sponsored by the Social Science Research Council and produced in cooperation with the Bureau of the Census, analyzes the changes in income distribution that have taken place since the 1930's. The relationship between individual incomes and such factors as geographical location, occupation, and age is thoroughly examined. Numerous charts, graphs, and tables accompany the text.

MANAGEMENT OF EXPANDING ENTERPRISES. By William H. Newman and James P. Logan. Columbia University Press, New York, 1955. 125 pages. $2.75. A report of a series of round table discussions by leading business and professional men. Among the topics dealt with are the effect of company size on management tasks, key features of decentralization, appraising results of operations, problems of transition, and company size and morale.

REPORT WRITING. By John Ball and Cecil B. Williams. The Ronald Press Co., New York, 1955. 407 pages. $4.75. Though intended primarily for students, this handbook contains much useful information for anyone concerned with report writing in business or the professions. Particular consideration is given to the locating of material, the organization of facts and ideas, language, style, and visual aids. A number of actual reports illustrating the best current practices are reproduced.

DESIGNING FOR PEOPLE. By Henry Dreyfuss. Simon & Schuster, New York, 1955. 240 pages. $5.00. In this entertaining account of how he has approached and carried out his work over the past 25 years, a distinguished industrial designer reveals what he and his partners have learned about the average American, and the step-by-step procedure involved in carrying out an important design assignment. Illustrated with numerous photographs and marginal sketches by the author.

UNITED STATES BUSINESS PERFORMANCE ABROAD: *The Creole Petroleum Corporation in Venezuela.* By Wayne C. Taylor and John Lindeman with the collaboration of Victor Lopez R. National Planning Association, 1606 New Hampshire Avenue, N.W., Washington 9, D.C. 1955. 105 pages. $1.00. This case study examines the impact of Creole's operations on the Venezuelan economy and the company's record as a citizen. Creole's organization, staffing, labor relations, and wage policies, and the various problems it has been called upon to surmount over the past 35 years are described in some detail.

THE ENGINEERING OF CONSENT. Edited by Edward L. Bernays. University of Oklahoma Press, Norman, Okla. 1955. 246 pages. $3.75. In this discussion of the problem of securing popular acceptance of any idea, program, or course of action, eight public relations experts each analyze a particular aspect of "the engineering of consent" and survey the techniques for handling it. An intelligent and systematic presentation of the principal organizational problems involved in any public relations undertaking.

AMERICA'S NEEDS AND RESOURCES: A NEW SURVEY. By J. Frederick Dewhurst and Associates. The Twentieth Century Fund, 330 West 42 Street, New York 36, N.Y. 1955. 1,148 pages. $10.00. A completely revised, rewritten, and expanded version of a study that originally appeared in 1947. Designed to serve as a comprehensive source of reference on the past achievements, present status, and future potential of the American economy, it provides the facts and background needed to appraise the present and plan intelligently for the future.

INDUSTRIAL SOCIETY: *The Emergence of the Human Problems of Automation.* By Georges Friedmann. The Free Press, Glencoe, Ill. 1955. 436 pages. $6.00. A survey of the problems created by large-scale, mechanized industry, the various ways in which industrial organizations have tried to deal with them, and the contribution of the social sciences toward their solution. Originally published in France, the book contains extensive data drawn from European studies whose findings have not hitherto been available to English-speaking readers.

WORKSHOP FOR MANAGEMENT. Management Magazines, Inc., Book Division, 141 East 44 Street, New York 17, N.Y. 1955. 504 pages. $19.00. This edited transcription of the seventh annual systems meeting of the Systems and Procedures Association of America includes discussions and seminars on incentive plans, control of clerical costs, sampling as a management tool, work simplification, operations research, and new developments in communications, and a special section on electronics in the office. An exceptionally well designed and lavishly produced volume with over 300 illustrations.

THE COLLEGE BUSINESS MANAGER. By E. Frederic Kanuth. New York University Press, New York, 1955. 166 pages. $5.00. The findings of a survey that aimed at determining the educational background, previous business experience, and functions of the college business manager. On the basis of his study, which covered the business managers of 89 liberal arts colleges, the author concludes that the average college is failing to make the fullest use of its business office, and for the most part treats it as an adjunct rather than as a useful component of the institution as a whole. Those interested in this somewhat specialized field will find here considerable data on a relatively neglected topic.

GERMAN SOCIAL SCIENCE DIGEST. Claassen Verlag, 42 Parkallee, Hamburg 12, Germany. 1955. 168 pages. $1.00. Includes a paper by Egon Tuchtfeldt on the development of the West German economy since 1945.

HUMAN RELATIONS IN INDUSTRY. By Burleigh B. Gardner and David G. Moore. Richard D. Irwin, Inc., Homewood, Ill., 1955. 427 pages. $7.35. Included in this third edition, which has been extensively revised and brought up to date, are new chapters on the dynamics of business and the dynamics of human behavior, which have been designed to provide a new approach toward understanding the problems of today's management.

BUSINESS INFORMATION: *How to Find and Use It.* By Marian C. Manley. Harper & Brothers, New York, 1955. 265 pages. $5.00. A comprehensive guide to printed sources of business information and how to use them. Covers not only business periodicals and books, but also trade association reports and bulletins, government studies, reporting societies, trade papers, and industrial directories. A complete and carefully cross-referenced index is provided.

THE ART OF EFFICIENT READING. By George D. Spache and Paul C. Berg. The Macmillan Co., New York, 1955. 273 pages. $3.00. This manual offers a practical plan for reading improvement, sectionalized under three main heads: Learning new ways to read, tools for vocabulary growth, and applying reading skills. Answers to the exercises included in each chapter are provided in an appendix.

THE AGE OF AUTOMATION: ***Its Effects on Human Welfare.*** By Warner Bloomberg, Jr. League for Industrial Democracy, 112 East 19 Street, New York 3, N. Y. 1955. 39 pages. 35 cents. In this pamphlet, the author—a social scientist and a practical industrial technician—gives a clear picture of what automation is and how it differs from older forms of machine production. Pointing out that technical and human factors can combine to bring about the faster development and adoption of automation than the most sanguine observers have anticipated, he considers the various problems posed by this technological revolution and some possible solutions.

THE TECHNIQUES OF CREATIVE THINKING. By Robert P. Crawford. Hawthorn Books, Inc., 70 Fifth Avenue, New York 11, N.Y. 1954. 287 pages. $3.95. An inspirational book in which the author offers advice on how to develop and use ideas, and put one's creative imagination to work.

THIRD UTILITY MANAGEMENT WORKSHOP PROCEEDINGS: ***Executive Development Programs.*** School of Engineering, Department of Industrial and Management Engineering, Columbia University, New York, 1955. 71 pages. $5.00. These proceedings include reports of sessions on the job of the executive, the executive as a man, appraising performance, and evaluating executive development requirements. An annotated bibliography is appended.

PRODUCTION

A TRADE UNION ANALYSIS OF TIME STUDY. By William Gomberg. Prentice-Hall, Inc., Englewood Cliffs, N. J. 1955. 318 pages. $7.50. This second edition of a well-known work covers the new techniques and approaches that have been developed in the time-study field since the first edition was published in 1948.

HOW FOREMEN CAN CONTROL COSTS. By Phil Carroll. McGraw-Hill Book Co., New York, 1955. 301 pages. $4.00. A handbook for foremen, explaining in simple, down-to-earth terms how cost control problems can be tackled at the front-line, supervisory level. Among the numerous aspects of cost control discussed are training, salvage, tools, material, maintenance, changes in production methods, time studies, budgets, and reports. Illustrated with cartoons, diagrams, and charts.

PRODUCTION CONTROL MANUAL. By James A. Parton, Jr. and Chris P. Steres. The Chilton Co., Inc., Philadelphia 39, Penna. 1955. 454 pages. $6.00. The functions of a modern production control department and the application of tested methods in solving the day-to-day problems of good production control are described in detail in this comprehensive handbook. Designed both as a practical guide for industry and as a textbook, it extends beyond the commonly recognized production-control functions to a consideration of how they can be integrated with the company organization as a whole.

OUTLINE OF WORK STUDY: *Part II, Method Study.* British Institute of Management, P. O. Box 483, Management House, 8 Hill Street, London, W. 1, England. 1955. 72 pages. 7s. 6d. An account of the various techniques for improving production methods, derived principally from the experience of Imperial Chemical Industries Ltd. Includes a number of charts and diagrams, and a bibliography of British and American books on work study.

HANDBOOK OF INDUSTRIAL STATISTICS. Albert H. Bowker and Gerald J. Lieberman. Prentice-Hall, Inc., Englewood Cliffs, N. J. 1955. 185 pages. $5.00. A reprint of the section on industrial statistics in the same publishers' *Handbook of Industrial Engineering and Management*, this manual explains in detail the statistical techniques most commonly used in industry, and provides tables for use in applying them.

HUMAN CONDITIONING IN THE FACTORY: *A New Horizon for Management.* Edited by Thomas K. Meakin. The Human Conditioning Group, Box 71, Cathedral Station, New York 25, N. Y. 1954. 86 pages. $5.00. This report, originally prepared by a group of students at the Harvard Business School, explores the theory that greater efficiency, productivity, and worker satisfaction will follow from tailoring a plant to workers' needs and specifications. A number of improvements in such areas as noise control, air conditioning, color and lighting, clothing, and in-plant nutrition are suggested.

MARKETING

MARKETING RESEARCH PAYS OFF. Edited by Henry Brenner. Printers' Ink Books, Pleasantville, N. Y. 1955. 372 pages. $6.00. In this collection of case histories of profitable consumer and industrial marketing research, 45 experts describe how they have used marketing research to solve such problems as finding and exploiting an entirely new market, forecasting the sales of a new product, and determining whether a particular product improvement will pay off. An interesting and practical compendium of some of the most successful techniques being used in business today.

TRADEMARK MANAGEMENT: *A Guide for Businessmen.* The United States Trademark Association, 522 Fifth Avenue, New York 36, N. Y. 1955. 130 pages. $5.00. A practical and authoritative guide for the layman, written by seven experts on trademark practice and procedure. Shows how to go about creating, registering, and protecting a trademark, and how to avoid the costly mistakes that led to the loss of such former trademarks as "aspirin," "escalator," and "cellophane." Also included are chapters on the selection and use of trade names, and the special problems presented by the use of trade marks in foreign countries.

PERSONAL INFLUENCE. By Elihu Katz and Paul F. Lazarsfeld. The Free Press, Glencoe, Ill. 1955. 400 pages. $6.00. A study of decision-making in the realms of marketing, fashion, movie-going, and public affairs. Based on a cross-sectional sample of 800 women in Decatur, Ill., the study finds that advice, suggestions, and opinions of other people frequently exert more effective influence than mass media. Who these opinion leaders are and their relationships with those they influence are analyzed in detail.

MANAGING SALESMEN. By Robert A. Gopel. Printers' Ink Books, Pleasantville, N. Y. 1955. 139 pages. $5.00. The newest techniques for interviewing, hiring, and training salesmen are described in this concise, practical guide for sales managers and sales supervisors. Thirty-seven tested forms, exhibits, and charts for controlling salesmen and planning a complete sales program are reproduced.

MODERN MARKETING: *Dynamics and Management.* By Harry Walker Hepner. McGraw-Hill Book Co., New York, 1955. 599 pages. $6.00. Two new approaches to the marketing function are stressed in this textbook. The dynamic forces that affect marketing practices are underscored with the aim of developing awareness of the fundamental factors in any marketing situation; and emphasis throughout is placed upon the integration of marketing into the larger framework of management's over-all thinking, policies, and programs. A number of charts, cartoons, and photographs enliven the text.

AUTOMATIC SELLING. By G. R. Schreiber. John Wiley & Sons, Inc., New York, 1954. 195 pages. $5.00. In this compact survey of a rapidly expanding field, the author answers such basic questions as what products vending machines can sell, what new markets they are opening up, and how much it costs to sell through machines as compared with over the counter. Of interest both to the business man or investor in search of basic information on the subject and to those concerned with the growing importance of automatic merchandising in marketing and distribution.

HOW TO STAGE A CONFERENCE, CONVENTION, LARGE MEETING. National Sales Executives, Inc., 136 East 57 Street, New York 22, N. Y. 45 pages. $2.50. A manual outlining the duties of, and the successive steps to be taken by, the various committees concerned with the organization and promotion of conventions, conferences, and large meetings of all kinds.

FINANCIAL MANAGEMENT

PROFIT SHARING PATTERNS. By P. A. Knowlton. Profit Sharing Research Foundation, 1322 Chicago Avenue, Evanston, Ill. 1954. 144 pages. $10.50. A comparative analysis of the formulas and results of the profit-sharing plans of 300 companies, employing in all over 730,000 workers. The study covers three types of plans—cash, deferred, and combination. A detailed breakdown of each of the 300 plans is given in chart form.

SCIENTIFIC EMPLOYEE BENEFIT PLANING: *Pensions, Profit-Sharing, and Stock Bonuses.* By Howe P. Cochran. Little, Brown and Co., Boston, 1954. 354 pages. $10.00. Addressed primarily to lawyers, but written in a conversational style, this book gives step-by-step guidance on choosing and setting up an employee benefit plan.

HANDBOOK FOR SECRETARIES TO ACCOUNTANTS, CONTROLLERS, TREASURERS. By Besse May Miller. Prentice-Hall, Inc., Englewood Cliffs, N. J. 1955. 438 pages. $8.95. Designed both for the beginner and the experienced secretary, this handbook provides detailed help on every office task, from routine typing and filing to the preparation of technical reports, tax returns, and other special duties involved in assisting the controller or treasurer. A complete business letter manual, a dictionary of correct English usage, and a glossary of accounting and financial terms are also included.

Publications Received

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